



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83214; File No. SR-C2-2018-005)

May 11, 2018

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rules in Connection with the Migration of Cboe C2 to Cboe EDGX Options Technology

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 27, 2018, Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend C2’s rulebook in preparation for the technology migration of C2 onto the options platform of an Exchange’s affiliated options exchange, Cboe EDGX Exchange, Inc. (“EDGX” or “EDGX Options”).

The text of the proposed rule change is also available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) ("Cboe Global"), which is also the parent company of Cboe Exchange, Inc. ("Cboe Options"), acquired EDGX and its affiliated exchanges, Cboe EDGA Exchange, Inc. ("EDGA" or "EDGA Options"), Cboe BZX Exchange, Inc. ("BZX"), and Cboe BYX Exchange, Inc. ("BYX" and, together with C2, Cboe Options, EDGX, EDGA, and BZX, the "Cboe Affiliated Exchanges"). C2 intends to migrate its technology onto the same trading platform as EDGX. In this context, C2 proposes to align certain system functionality with EDGX (and BZX in certain circumstances), while retaining certain C2 functionality, as well as to make other nonsubstantive changes to the rules, retaining only intended differences between it and the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by the Cboe Affiliated Exchanges and will continue to do so, the Exchange believes offering similar functionality to the extent practicable will reduce potential confusion for market participants. The proposed rule change modifies or adds certain system functionality currently offered by EDGX to provide a consistent technology offering for users of Cboe Affiliated Exchanges.

Chapter 1

The proposed rule change makes the following changes to Chapter 1 of the C2 Rulebook.

The following table identifies the defined terms that are proposed to be added to or amended in C2 Rule 1.1, whether the proposed amended rule was moved from a current C2 rule or corresponds to the rule of EDGX or another exchange, and proposed substantive changes.

Defined Term	Provision	Current C2 Rule	Corresponding Other Exchange Rule	Description of Change
ABBO	best bid(s) or offer(s) disseminated by other Eligible Exchanges ⁵ and calculated by the Exchange based on market information the Exchange receives from OPRA	N/A	EDGX Rule 21.20(a)(1)	Added to C2 Rule 1.1
Adjusted Series	series in which, as a result of a corporate action by the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or Units	8.5(a)(1)	N/A	Moved to C2 Rule 1.1
Bid	the price of a limit order or quote to buy one or more options contracts	N/A	EDGX Rule 16.1(a)(6)	Added to C2 Rule 1.1
Book or Simple Book	electronic book of simple orders and quotes maintained by the System	1.1	EDGX Rule 16.1(a)(9)	Adding that Book may also be referred to as Simple Book
Call	option contract under which the holder of the option has the right, in	1.1	EDGX Rule 16.1(a)(12)	Added clarifying language

⁵ Eligible Exchange is defined in Cboe Rule 6.80(7).

	accordance with the terms of the option and Rules of the Clearing Corporation, to purchase from the Clearing Corporation the number of units of the underlying security or index covered by the option contract, at a price per unit equal to the exercise price, upon the timely exercise of the option			consistent with put definition to conform to EDGX rule
Capacity	capacity in which a User submits an order, which the User specifies by applying the corresponding code to the order, and includes B (account of a broker or dealer, including a Foreign Broker-Dealer), C (Public Customer account), F (OCC clearing firm proprietary account), J (joint back office account), L (non-Trading Permit Holder affiliate account), M (Market-Maker account), N (market-maker or specialist on another options exchange), U (Professional account)	N/A	N/A	C2 currently refers to capacity as origin code; current C2 origin codes are in Regulatory Circular RG13-015, and are the same as the proposed Capacities, except the proposed rule changes W to U (see EDGX specifications ⁶), and adds L, which is not currently permitted on C2 (see Cboe Options Regulatory Circular RG13-038)

⁶ BOE Specifications, available at http://cdn.batstrading.com/resources/membership/BATS_US_Options_BOE2_Specification.pdf, and FIX Specifications, available at http://cdn.batstrading.com/resources/membership/BATS_US_Options_BZX_FIX_Specification.pdf.

Cboe Trading	Cboe Trading, Inc., broker-dealer affiliated with C2 and will serve as inbound and outbound router for C2, as discussed below	3.18	EDGX Rule 2.11	Moved to C2 Rule 1.1
Class	all option contracts with the same unit of trading covering the same underlying security or index	1.1	EDGX Rule 16.1(a)(13)	Deletes unnecessary reference to options, given only options trade on C2; adds that options may cover an index (see C2 Chapter 24); deletes that a class means options of the same type (currently defined as put or call), as a class is comprised of both puts and calls; adds that a class is comprised of option contracts with the same unit of trading covering the same underlying security or index (discussed below)
Clearing Corporation or OCC	Options Clearing Corporation	1.1	EDGX Rule 16.1(14)	Adding that the Clearing Corporation may also be

				referred to as OCC
Clearing Trading Permit Holder	a Trading Permit Holder that has been admitted to membership in the Clearing Corporation pursuant to the provisions of the rules of the Clearing Corporation and is self-clearing or that clears transactions for other Trading Permit Holders	1.1	EDGX Rule 16.1(a)(15)	Added that Clearing Trading Permit Holders self-clear or clear on behalf of others (consistent with C2 today)
Commission or SEC	U.S. Securities and Exchange Commission	1.1	EDGX Rule 1.5(g)	Adding that the Commission may also be referred to as SEC
Complex Order	order involving the concurrent execution of two or more different series in the same class (the “legs” or “components” of the order), for the same account, occurring at or near the same time in a ratio greater than or equal to one-to-three and less than or equal to three-to-one and for the purpose of executing a particular investment strategy with no more than the applicable number of legs (which number the Exchange determines on a class-by-class basis); the Exchange determines in which classes complex orders are eligible for processing	6.13(a)(1)	EDGX Rule 21.20(a)(5)	Moved to C2 Rule 1.1 and 6.12(a); added that C2, like EDGX, can impose a maximum number of legs and determine in which classes complex orders are available
Customer	Public Customer or	N/A	EDGX Rule	Added to C2 Rule 1.1; new

	broker-dealer		16.1(a)(19)	definition in C2 Rules, but concept of customers exists throughout current C2 rules (including in priority rules)
Customer Order	agency order for the account of a Customer	N/A	EDGX Rule 16.1(a)(20)	Added to C2 Rule 1.1
Discretion	authority of a broker or dealer to determine for a Customer the type of option, class or series of options, the number of contracts, or whether options are to be bought or sold	N/A	EDGX Rule 16.1(a)(21)	Added to C2 Rule 1.1; substantively the same as the EDGX definition
EFID	Executing Firm ID	N/A	EDGX Rule 21.1(c)(1)	Added to C2 Rule 1.1; EDGX rule refers to the term MPID, which is generally equivalent to EFID; similar to the term acronym, which is used in current C2 rules; EFID is the term used in C2 technical specification following migration, and thus more appropriate for the C2 rules; as noted below, a firm may have

				multiple EFIDs
Equity Option	option on an equity security or Unit	N/A (equity options permitted by C2 Chapter 5)	EDGX Rule 16.1(a)(27)	Added to C2 Rule 1.1
Exchange Act	Securities Exchange Act of 1934, including rules and regulations thereunder	1.1	EDGX Rule 16.1(a)(23)	Added rules and regulations, which also apply to the Exchange rules
Expiration Date	third Friday of expiration month	1.1	N/A	Deleted language about series that expire on Saturday rather than Friday, as no more grandfathered series are listed on the Exchange
He, Him, His	deemed to refer to persons of female as well as male gender and to include organizations, as well as individuals, when the context requires	N/A	EDGX Rule 16.1(a)(25)	Added to C2 Rule 1.1
Index Option	option on a broad-based, narrow-based, micro narrow-based or other index of equity securities prices	N/A (index options permitted by C2 Chapter 24)	EDGX Rule 16.1(a)(26)	Added to C2 Rule 1.1
Market Close	time the Exchange specifies for the end of trading on the Exchange on that trading day	N/A (market close time set forth in C2 Rule 6.1)	EDGX Rule 16.1(a)(34)	Added to C2 Rule 1.1
Market Open	time the Exchange specifies for the start of trading on the Exchange	N/A (market open time set forth in C2	EDGX Rule 16.1(a)(35)	Added to C2 Rule 1.1

	on that trading day	Rules 6.1 and 6.10)		
Notional Value	value calculated by multiplying the number of contracts (contract size multiplied by the contract multiplier) in an order by the order's limit price	6.15(e)(1)(C)	EDGX Rule 20.6(e)(1)(C)	Added to C2 Rule 1.1
NBB, NBO, and NBBO	national best bid, national best offer, and national best bid or offer the Exchange calculates based on market information it receives from OPRA	1.1	EDGX Rule 16.1(a)(29)	Added NBB and NBO to C2 definition
Offer	the price of a limit order or quote to sell one more option contracts	N/A	EDGX Rule 16.1(a)(30)	Added to C2 Rule 1.1
OPRA	Options Price Reporting Authority	N/A	EDGX Rule 16.1(a)(41)	Added to C2 Rule 1.1
Order	firm commitment to buy or sell option contracts that the System receives from a User, which may be a limit order or market order	1.1 and 6.10(a) and (b)	EDGX Rule 16.1(a)(42) and 21.1(c)	Moved market order and limit order definitions to C2 Rule 1.1, as all orders must be market or limit
Order Entry Firm/OEF	Trading Permit Holder representing as agent Customer Orders on the Exchange and non-Market-Maker Trading Permit Holder conducting proprietary trading	N/A	EDGX Rule 16.1(a)(36)	Added to C2 Rule 1.1
Order Instruction	processing instruction a User may apply to an order (multiple instructions may apply to a single order) when entering it into the System	N/A	EDGX Rule 21.1(d)	Added to C2 Rule 1.1 (rules currently permit various instructions); various order

				instructions substantively similar to those available on EDGX
Attributable	order a User designates for display (price and size) that includes the User's EFID or other unique identifier	6.10(f)	EDGX Rule 21.1(c)(1)	Moved to C2 Rule 1.1, Order Instruction
Book Only	order the System ranks and executes pursuant to Rule 6.12, subjects to the Price Adjust process pursuant to Rule 6.12, or cancels, as applicable (in accordance with User instructions), without routing away to another exchange	6.10(j)	EDGX Rule 21.1(d)(7)	Moved to C2 Rule 1.1, Order Instruction (previously called C2-Only Order)
Cancel Back	order a User designates to not be subject to the Price Adjust process pursuant to Rule 6.12 that the System cancels or rejects (immediately at the time the System receives the order or upon return to the System after being routed away) if displaying the order on the Book would create a violation of Rule 6.82, or if the order cannot otherwise be executed or displayed in the Book at its limit price	N/A	EDGX Rule 11.6(b)	Added to C2 Rule 1.1 (consistent with Rule 6.82) and substantively similar EDGX Rule (further discussed below)
Intermarket Sweep Order/ISO	order that has the meaning provided in Section E of Chapter 6, which may be executed at one or multiple price levels in the System without regard to Protected Quotations at other options exchanges; the Exchange	6.10(g)	EDGX Rule 21.1(d)(2)	Moved to C2 Rule 1.1 (consistent with current C2 system)

	relies on the marking of an order by a User as an ISO order when handling such order, and thus, it is the entering Trading Permit Holder's responsibility, not the Exchange's responsibility, to comply with the requirements relating to ISOs			
Match Trade Prevention/MTP Modifier	order not executed against a resting opposite side order or quote also designated with an MTP modifier and originating from the same EFID, Trading Permit Holder identifier, trading group identifier, or Sponsored User identifier ("Unique Identifier"), with five types of modifiers available	6.10(k)	EDGX Rule 21.1(g)	Moved to C2 Rule 1.1 and conformed to EDGX rule (further discussed below)
Minimum Quantity	order that requires a specified minimum quantity of contracts be executed or is cancelled; Minimum Quantity orders will only execute against multiple, aggregated orders if such executions would occur simultaneously, and only a Book Only order with TIF designation of IOC may have a Minimum Quantity instruction (the System disregards a Minimum Quantity instruction on any other order)	N/A	EDGX Rule 21.1(d)(3)	Added to C2 Rule 1.1 (further discussed below)
Non-Attributable	order a User designates for display (price and size) on an anonymous basis or not designated as an	N/A	EDGX Rule 21.1(c)(2)	Added to C2 Rule 1.1 – orders currently not marked

	Attributable Order			Attributable on C2 are non-attributable; proposed rule change merely permits Users to affirmatively designate orders as non-attributable, and specify the Exchange will by default treat orders as Non-Attributable unless the User designates it as Attributable
Post Only	order the System ranks and executes pursuant to Rule 6.12, subject to the Price Adjust process pursuant to Rule 6.12, or cancels or rejects (including if it is not subject to the Price Adjust process and locks or crosses a Protected Quotation of another exchange), as applicable, except the order may not remove liquidity from the Book or route away to another Exchange	N/A	EDGX Rule 21.1(d)(8)	Added to C2 Rule 1.1 (further discussed below)
Price Adjust	order a User designates to be subject to the Price Adjust process pursuant to Rule 6.12, or an order a User does not designate as Cancel Back	N/A	EDGX Rule 21.1(i)	Added to C2 Rule 1.1 (Price Adjust process described further below)
Reserve Order	limit order with both a portion of the quantity displayed (“Display Quantity”) and a reserve portion of the quantity	6.10(c)(8) and 6.12(c)	BZX Rule 21.1(d)(1)	Moved to C2 Rule 1.1 (further discussed

	("Reserve Quantity") not displayed; both display quantity and reserve quantity are available for potential execution against incoming orders, with Max Floor and replenishment instructions available			below)
Stop (Stop-Loss) Order	order to buy (sell) that becomes a market order when the consolidated last sale price (excluding prices from complex order trades if outside the NBBO) or NBB (NBO) for a particular option contract is equal to or above (below) the stop price specified by the User	6. 10(c)(3)	BZX Rule 21.1(d)(11)	Moved to C2 Rule 1.1; modified to compare stop prices to national prices rather than Exchange prices (EDGX similarly uses the NBBO), which reflect price from entire market (similar change in Rule 6.10(c) provision regarding stop orders)
Stop-Limit Order	order to buy (sell) that becomes a limit order when the consolidated last sale price (excluding prices from complex order trades if outside the NBBO) or NBB (NBO) for a particular option contract is equal to or above (below) the stop price specified by the User	6.10(c)(4)	BZX Rule 21.1(d)(12)	Moved to C2 Rule 1.1; modified to compare stop prices to national prices rather than Exchange prices (EDGX similarly uses the NBBO), which reflect price from entire market (similar change in Rule 6.10(c) provision regarding stop

				orders)
Port	adds definitions of various types of ports available in the new Exchange system	N/A	EDGX Rule 21.1(j)	Added to C2 Rule 1.1 (further discussed below)
Primary Market	primary exchange on which an underlying security is listed	N/A	EDGX Rule 16.1(a)(44)	Added to C2 Rule 1.1 (concept exists in current C2 rules, such a 6.11(b))
Protected Quotation	a Protected Bid or Protected Offer, as each of those terms is defined in Rule 6.80	6.80	EDGX Rule 16.1(a)(47)	Added to list of defined terms in C2 Rule 1.1
Put	option contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and Rules of the Clearing Corporation, to sell to the Clearing Corporation the number of units of the underlying security covered by the option contract, at a price per unit equal to the exercise price, upon the timely exercise of such option	1.1	EDGX Rule 16.1(a)(49)	Added clarifying language consistent with put definition to conform to EDGX rule
Quote or quotation	bid or offer entered by a Market-Maker as a firm order, which updates the Market-Maker's previous bid or offer, if any	1.1	EDGX Rule 16.1(a)(51)	Conforms C2 definition to EDGX definition (including to state that Market-Maker quotes are entered using order

				functionality)
SBBO	best bid and offer on the Exchange for a complex strategy calculated using the BBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy	1.1	EDGX Rule 21.20(a)(11)	Moved to proposed C2 Rule 6.13(a); currently defined as Exchange Spread Market in C2 Rule 1.1, which definition is being deleted
Series	all option contracts of the same class that are the same type of option and have the same exercise price, and expiration date	1.1	EDGX 16.1(a)(55)	Clarified that a series consists of options of the same type (i.e. options with the same exercise price and date that are calls are a series, and options with the same exercise price and date that are puts are another series)
Size	number of contracts up to 999,999 associated with an order or quote	N/A	EDGX Rule 21.1(e)	Added to C2 Rule 1.1 (consistent with current C2 system)
SNBBO	national best bid and offer for a complex strategy calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy	1.1	EDGX Rule 21.20(a)(12)	Moved to Rule 6.13(a); currently defined as National Spread Market in C2 Rule 1.1, which definition is

				being deleted
System Securities	options that currently trade on the Exchange pursuant to Chapters 5 and 24	N/A	EDGX Rule 21.1(b)	Added to C2 Rule 1.1 (additional term for options listed for trading)
Time-in-Force	period of time the System will hold an order for potential execution	N/A	EDGX Rule 21.1(f)	Added to C2 Rule 1.1 (general term to cover various time-in-force instructions)
Day	time-in-force that means an order to buy or sell that, if not executed, expires at market close	6.10(e)(1)	EDGX Rule 21.1(f)(3)	Moved to C2 Rule 1.1
Fill-or-Kill/FOK	time-in-force that means an order that is to be executed in its entirety as soon as the System receives it and, if not so executed, cancelled	6.10(c)(5)	EDGX Rule 21.1(f)(5)	Moved to C2 Rule 1.1
Good-til-Cancelled/GTC	time-in-force that means, if after entry into the System, the order is not fully executed, the order (or unexecuted portion) remains available for potential display or execution (with the same timestamp) unless cancelled by the entering User, or until the option expires, whichever comes first	6.10(c)(2)	EDGX Rule 21.1(f)(4)	Moved to C2 Rule 1.1
Good-til-Date/GTD	time-in-force that means, if after entry into the System, the order is not fully executed, the order (or unexecuted portion)	N/A	EDGX Rule 21.1(f)(1)	Added to C2 Rule 1.1 (similar to EDGX time-in-force, as further

	remains available for potential display or execution (with the same timestamp) until a date and time specified by the entering User unless cancelled by the entering User			discussed below)
Immediate-or-Cancel/IOC	time-in-force for a limit order that is to be executed in whole or in part as soon as the System receives it; the System cancels and does not post to the Book any portion of an IOC order (or unexecuted portion) not executed immediately on the Exchange or another options exchange	6.10(c)(6)	EDGX Rule 21.1(f)(2)	Moved to C2 Rule 1.1
At the Open/OPG	time-in-force means an order that may only participate in the Opening Process on the Exchange; the System cancels an OPG order (or unexecuted portion) that does not execute during the Opening Process	6.10(c)(7)	EDGX Rule 21.1(f)(6)	Moved to C2 Rule 1.1
Trade Desk	Exchange operations staff authorized to make certain trading determinations on behalf of the Exchange	1.1	N/A	Changed to Trade Desk, which is new term for Help Desk at the Exchange (which term is being deleted from the Rules)
Transaction	transaction involving a contract effected on or through the Exchange or its facilities or systems	N/A	EDGX Rule 16.1(a)(11)	Added to C2 Rule 1.1 (same as EDGX rule, consistent with

				industry term)
Unit	shares or other securities traded on a national securities exchange and defined as an “NMS stock” under Rule 600 of Regulation NMS, and that satisfy the criteria in Rule 5.3, Interpretation and Policy .06	5.3, Interpretation and Policy .06	EDGX Rule 19.3(i) (Units defined as Fund Shares in EDGX Rules)	Added to list of defined terms in C2 Rule 1.1
Unit of Trading	defined in Rule 6.2	6.2	N/A	Added to list of defined terms in C2 Rule 1.1 (discussed below)
User	any Trading Permit Holder or Sponsored User who is authorized to obtain access to the System pursuant to Rule 6.8	N/A	EDGX Rule 16.1(a)(63)	Added to C2 Rule 1.1 (common term to apply to two types of market participants defined in C2 Rules, which are the only two market participants that may access the System under C2 Rules)

The proposed rule change makes changes throughout C2 Rules to conform to the changes to defined terms.

As noted above, the proposed rule change amends the definition of class to mean all option contracts with the same unit of trading (including adjusted series as determined by OCC) covering the same underlying security or index. The current definition states a class consists of options of the same type, which is defined as either a put or a call. However, the term class is

generally understood to include both puts and calls, which are types of series, not separate classes, making this definition outdated. As described above, options with the same exercise price and expiration date that are puts constitute one series, and options with the same exercise price and expiration date that are calls constitute another series. Additionally, there are some exceptions for options that cover the same underlying but constitute a separate class, and the proposed definition incorporates this concept.⁷ For example, mini-options cover the same underlying security as standard options, but are considered as separate class since they have a different deliverable (10 shares of the underlying security rather than 100 shares of the underlying security, respectively). Additionally, when OCC adjusts series in connection with corporate actions (see Rule 5.7), it announces whether those series are part of the same existing class or a new class covering the same underlying security. The concept of unit of trading more accurately describes the series that constitute a class (e.g. the unit of trading for a mini-option is 10, and the unit of trading for a standard option is 100, making each a separate class under the proposed definition). The proposed definition accounts for these exceptions, and is a more accurate definition of what options constitute a class today on the Exchange.

As noted above, the proposed rule change adds the following order instructions to C2 Rule 1.1, which order instructions are available on EDGX or BZX, as indicated.

- Cancel Back: A Book Only or Post Only order a User designates to not be subject to the Price Adjust Process pursuant to Rule 6.12, which the System cancels or rejects if it locks or crosses the opposite side of the ABBO. The System executes a Book Only – Cancel Back order against resting orders and quotes, and cancels or rejects a Post Only – Cancel

⁷

The proposed definition is based on the OCC definition of class. See OCC By-Laws Article I, C.(11). The proposed definition of unit of trading is consistent with C2 Rule 6.2.

Back order, that locks or crosses the opposite side of the BBO. The proposed functionality is partially included in the definition of Post Only in the EDGX rules.⁸ The proposed rule change extends the definition to Book Only orders and is consistent with linkage rules included in Chapter 6, Section E of the Rules and is consistent with EDGX Rule 21.6(f). Book Only orders and Post Only orders do not route by definition, and the Cancel Back instruction provides an option for Users to determine how they will be handled within the System, consistent with their definitions.⁹

- Match Trade Prevention (MTP) Modifiers: Current C2 Rule 6.10(k) defines a Market-Maker Trade Prevention Order as an IOC order market with the Market-Maker Trade Prevention designation. A Market-Maker Trade Prevention Order that would trade against a resting quote or order for the same Market-Maker will be cancelled, as will the resting quote or order (unless the Market-Maker Trade Prevention Order is received while an order for the same Market-Maker is subject to an auction, in which case only the Market-Maker Trade Prevention Order will be cancelled). The Exchange proposes to adopt MTP modifiers substantively the same as those available on EDGX.¹⁰ The proposed MTP modifiers expand this functionality to all Users, rather than just Market-Makers, and provide Users with multiple options regarding how the System handles orders and quotes with the same Unique Identifiers. Pursuant to the proposed rule change, an order designated with any MTP modifier is not executed against a resting opposite side order or quote also designated with an MTP modifier and originating from

⁸ See EDGX Rule 21.6(d)(8).

⁹ EDGX Rule 11.6(b) (which relates to the EDGX Equities market) contains a similar Cancel Back instruction.

¹⁰ See EDGX Rule 21.1(g).

the same Unique Identifier. Except for the MDC modifier described below, the MTP modifier on the incoming order controls the interaction between two orders marked with MTP modifiers:

- MTP Cancel Newest (“MCN”): An incoming order marked with the “MCN” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. The System cancels or rejects the incoming order, and the resting order remains in the Book.
- MTP Cancel Oldest (“MCO”): An incoming order marked with the “MCO” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. The System cancels or rejects the resting order, and processes the incoming order in accordance with Rule 6.12.
- MTP Decrement and Cancel (“MDC”): An incoming order marked with the “MDC” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. If both orders are equivalent in size, the System cancels or rejects both orders. If the orders are not equivalent in size, the System cancels or rejects the smaller of the two orders and decrements the size of the larger order by the size of the smaller order, which remaining balance remains on or processes in accordance with Rule 6.12, as applicable. Notwithstanding the foregoing, unless a User instructs the Exchange not to do so, the System cancels or rejects both orders if the resting order is marked with any MTP modifier other than MDC and the incoming order is smaller in size than the resting order.

- MTP Cancel Both (“MCB”): An incoming order marked with the “MCB” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. The System cancels or rejects both orders.
- MTP Cancel Smallest (“MCS”): An incoming order marked with the “MCS” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. If both orders are equivalent in size, the System cancels or rejects both orders. If the orders are not equivalent in size, the System cancels or rejects the smaller of the two orders, and the larger order remains on the Book or processes in accordance with Rule 6.12, as applicable.

The proposed MTP functionality is designed to prevent market participants from unintentionally causing a proprietary self-trade. The Exchange believes these modifiers will allow firms to better manage order flow and prevent undesirable executions with themselves. Trading Permit Holders may have multiple connections into the Exchange consistent with their business needs and function. As a result, orders routed by the same firm via different connections may, in certain circumstances, trade against each other.

The proposed modifiers provide Trading Permit Holders with functionality (in addition to what is available on C2 today) with the opportunity to prevent these potentially undesirable trades. The Exchange notes that offering the MTP modifiers may streamline certain regulatory functions by reducing false positive results that may occur on Exchange generated wash trading surveillance reports when orders are executed under the same Unique Identifier. For these reasons, the Exchange believes the MTP modifiers offer users enhanced order processing functionality that may prevent potentially

undesirable executions without negatively impacting broker-dealer best execution obligations.

- Minimum Quantity Order: An order that requires a specified minimum quantity of contracts be executed or is cancelled. Minimum Quantity orders will only execute against multiple, aggregated orders if such executions would occur simultaneously. Only a Book Only order with a time-in-force designation of IOC may have a Minimum Quantity instruction (the System disregards a Minimum Quantity instruction on any other order). This functionality ensures a User's order will not partially execute for less than the minimum amount of contracts a User desires to execute as part of its investment strategy. Only permitting this functionality for Book Only IOC order is consistent with the purpose of this functionality, as current Exchange functionality cannot guarantee that an order that routes or rests on the book to execute against incoming orders will be executed for the minimum requested amount.
- Post Only Order: An order the System ranks and executes pursuant to proposed Rule 6.12, subjects to the Price Adjust process pursuant to Rule 6.12, or cancels (including if it is not subject to the Price Adjust process and it would lock or cross a Protected Quotation on another exchange), as applicable (in accordance with User instructions), except the order may not remove liquidity from the Book or route away to another Exchange. This proposed instructions is nearly identical to the C2 Only/Book Only order instruction, except it will also not remove liquidity from the Book. The Exchange currently has a maker-taker fee structure, pursuant to which an execution taking liquidity from the Book is subject to a taker fee. This proposed instruction provides Users with flexibility to

avoid incurring a taker fee if their intent is to submit an order to add liquidity to the Book.

- Reserve Order: A limit order with both a portion of the quantity displayed (“Display Quantity”) and a reserve portion of the quantity (“Reserve Quantity”) not displayed. Both the Display Quantity and Reserve Quantity of the Reserve Order are available for potential execution against incoming orders. When entering a Reserve Order, a User must instruct the Exchange as to the quantity of the order to be initially displayed by the System (“Max Floor”). If the Display Quantity of a Reserve Order is fully executed, the System will, in accordance with the User’s instruction, replenish the Display Quantity from the Reserve Quantity using one of the below replenishment instructions. If the remainder of an order is less than the replenishment amount, the System will display the entire remainder of the order. The System creates a new timestamp for both the Display Quantity and Reserve Quantity of the order each time it is replenished from reserve.
 - Random Replenishment: An instruction that a User may attach to an order with Reserve Quantity where the System randomly replenishes the Display Quantity for the order with a number of contracts not outside a replenishment range, which equals the Max Floor plus and minus a replenishment value established by the User when entering a Reserve Order with a Random Replenishment instruction.
 - Fixed Replenishment: For any order for that a User does not select Random Replenishment, the System will replenish the Display Quantity of an order with the number of contracts equal to the Max Floor.

Current C2 Rule 6.10(c)(8) describes current reserve order functionality available on C2.

The proposed functionality is generally the same as the current C2 functionality but

enhances the use of reserve orders by providing flexibility for Users to determine whether the reserve replenishment amount is fixed or random. This proposed functionality is substantively the same as that available on BZX.¹¹

The Exchange will provide access to the C2 System to Users through various ports, as is the case on EDGX. There are three different types of ports: physical ports, logical ports, and bulk order ports. The Exchange notes a bulk order port is a type of logical port, and there are other types of logical ports not specifically identified in the proposed rule. The Exchange believes a separate definition is warranted for bulk order ports given the specific functionality provided through such ports but that other types of logical ports are sufficiently described in the proposed definition of logical port.

The proposed rule change defines the term “port” to the Rule 1.1, including the following type of ports¹²:

- A “physical port” provides a physical connection to the System. A physical port may provide access to multiple logical ports.
- A “logical port” or “logical session” provides the ability within the System to accomplish a specific function through a connection, such as order entry, data receipt, or access to information (for example, as discussed below, certain risk control settings may be input by port).
- A “bulk order port” is a dedicated logical port that provides Users with the ability to submit single and bulk order messages to enter, modify, or cancel orders designated as Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on that

¹¹ See BZX Rule 21.1(d)(1).

¹² See EDGX Rule 21.1(j).

trading day. As noted below, quoting functionality will not be available to Market-Makers after the technology migration. This bulk order functionality will provide Market-Makers with a way to submit orders that simulate current quoting functionality. Bulk order messages will not route to other exchanges with use of the Post Only instruction, which is consistent with current quoting functionality that does not route Market-Maker quotes. Additionally, Market-Makers generally enter new quotes at the beginning of each trading day based on then-current market conditions, and the Day or GTD (with an expiration time on that trading day) Time-in-Force instruction is consistent with this practice. Because these messages will be used to add liquidity to the Book, the Exchange will make this type of port available to all Users to encourage all Users to provide liquidity to the C2 market. This functionality is substantively the same as port functionality available on EDGX.

Port is the term the Exchange will use to describe the connection a User will use to connect to the System following the technology migration. Currently, the Exchange refers to System connections as logins, but the functionality is generally the same.

The proposed rule change restricts the type of messages that may be submitted through bulk order ports to orders designated as Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on that trading day. Based on definitions described in this rule filing, Post Only Orders with a Time-in-Force of Day or GTD will be posted to and displayed by the Exchange, rather than remove liquidity or route to another options exchange. As a general matter, and as further described below, the proposed change is intended to limit the use of bulk order ports to liquidity provision, particularly by, but not limited to, Market-Makers. In turn, the Exchange believes it is unnecessary to allow orders entered via bulk order entry ports to be able

to last beyond the trading day on which they were entered. The Exchange notes that while, as a general matter, bulk order entry provides an efficient way for a market participant to conduct business on the Exchange by allowing the bundling of multiple instructions in a single message, the main purpose of such functionality has always been to encourage quoting on exchanges.¹³

The Exchange proposes to provide this functionality, which is more similar to quoting functionality currently available on C2. In particular, EDGX has never differentiated between a quote or an order on entry. Rather, Users on EDGX submit orders to the Exchange regardless of the Capacity (i.e., Customer, Market-Maker, or other Non-Market-Maker professional) of the order and regardless of the intended result from submitting such order (e.g., to remove liquidity, post and display liquidity on EDGX, or route to another market). Following migration, C2 will similarly not differentiate between a quote or an order entry. Of course, an order that is posted and displayed on the Exchange is a quotation and the Exchange does maintain various requirements regarding quotations and quoting on the Exchange. The Exchange, however, reiterates that C2 currently distinguishes between orders and quotes, with quotes being required of and only available to registered Market-Makers. In contrast, following migration, in order to quote on the Exchange, a User (including a Market-Maker) will submit an order. While the Exchange does not propose to limit bulk order entry functionality to Market-Makers on the

¹³ For instance, when initially adopted by BZX, bulk order entry was described as a “bulk-quoting interface” and such functionality was limited to BZX market makers. See Securities Exchange Act Release No. 65133 (August 15, 2011), 76 FR 52032 (August 19, 2011) (SR-BATS-2011-029). Bulk quoting was shortly thereafter expanded to be available to all participants on BZX’s options platform but the focus remained on promoting liquidity provision on the Exchange, even though the types of messages permitted were not limited to liquidity providing orders. See Securities Exchange Act Release No. 65307 (September 9, 2011), 76 FR 57092 (September 15, 2011) (SR-BATS-2011-034).

Exchange, the Exchange does propose to limit the type of messages that may be submitted through bulk order entry ports in order to mimic the quoting functionality offered by C2 today.

As noted above, the proposed rule change adds the Time-in-Force option Good-til-Date, which is similar to Good-til-Date functionality available on EDGX.¹⁴ For an order so designated, if after entry into the System, the order is not fully executed, the order (or any unexecuted portion) remains available for potential display or execution until a date and time specified by the entering User unless cancelled by the entering User. This Time-in-Force option will provide Users with additional flexibility regarding the handling of their orders on the System. It will permit Users' orders to be automatically cancelled at specified dates and times rather than require Users to manually cancel GTC orders at those times.

The proposed rule change also deletes the following defined terms. While these terms are used in rules C2 incorporates by reference to Cboe Options rules, these terms are not currently used in the text of the C2 rulebook:

- Aggregate Exercise Price
- American-style Option
- Capped-style Option
- Closing Purchase Transaction
- Closing Writing Transaction
- Covered
- European-style Option
- Opening Purchase Transaction
- Opening Writing Transaction

¹⁴ See EDGX Rule 21.1(f)(1) and (3).

- Principal Shareholder
- Quarterly Option Series
- Security Future-Option Order
- Uncovered

The proposed rule change deletes the terms Participant and Permit Holder, which both mean a Trading Permit Holder, another defined term. To simplify the C2 rulebook, the Exchange proposes to have one term refer to a Trading Permit Holder and makes conforming changes throughout the Rules.

The proposed rule change adds Interpretation and Policy .01 to Rule 1.1, which states to the extent a term is used in any Rules incorporated by reference to Cboe Options rules and not otherwise defined in the Rules, the term will have the meaning set forth in the Cboe Options rules. To the extent a market participant is reviewing an incorporated by reference rule, the Exchange believes it is appropriate to direct market participants to the Cboe Options rulebook for the definitions of terms used in that rule, because that rule essentially incorporates the definition of any defined terms used in that rule. The Exchange believes it is simpler and less confusing to refer market participants to the Cboe Options rulebook for definitions than to refer them back to the C2 rulebook.

The proposed rule change moves Interpretation and Policy .01 to the defined term Professional to Interpretation and Policy .02 at the end of Rule 1.1, as the Exchange believes it is less confusing to have all Interpretations and Policies to a rule located in the same place. The proposed rule change adds a cross-reference to this Interpretation and Policy to the definition of Professional.

The proposed rule change deletes the term Voluntary Professional, as that Capacity designation will no longer be available on C2. It is currently unavailable on EDGX.

Finally, the proposed rule change makes nonsubstantive changes throughout the definitions in Rule 1.1, including to conform language throughout the rules, to conform language to corresponding EDGX rules, and to use plain English.

Proposed C2 Rule 1.2 states the Exchange announces to Trading Permit Holders all determinations it makes pursuant to the Rules via (a) specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange's website, or as otherwise provided in the Rules, (b) electronic message, or (c) other communication method as provided in the Rules. Current C2 Rules states the Exchange will generally announce determinations by Regulatory Circular, and the proposed rule expands the different type of documents that may be used to announce determinations, consistent with EDGX. Proposed Rule 1.2 makes clear this information will be available on C2's website in an easily accessible manner, regardless of the manner in which the Exchange announces it. Additionally, certain determinations are made more real-time pursuant to electronic message received by Trading Permit Holders (e.g., providing intra-day relief for parameter settings in in price protection mechanisms described in proposed Rule 6.14, Interpretation and Policy .01, other determinations related to need to maintain fair and orderly market). This single rule simplifies the Rules by eliminating the need to repeatedly state in the rules how the Exchange will announce determinations. The proposed rule change makes conforming changes throughout the Rules.

Proposed C2 Rule 1.3 states unless otherwise specified, all times in the Rules are Eastern Time, except for times in Rules incorporated by reference to Cboe Options rules, which are times as set forth in the applicable Cboe Options rules. Current C2 Rules are generally in Chicago

time, so the proposed rule change makes conforming changes throughout the Rules. This single rule simplifies the Rules by eliminating the need to repeatedly state times are in Eastern Time.

Chapter 3

The proposed rule change moves the provision regarding Exchange affiliations with Trading Permit Holders from current Rule 3.2(f) to proposed Rule 3.16. Current Rule 3.2(f) prohibits the Exchange from acquiring or maintaining an ownership interest in a Trading Permit Holder, as well as prohibits Trading Permit Holder affiliations with the Exchange or an affiliate of the Exchange without prior Commission approval. Current exceptions include equity interests in CBSX LLC and affiliations with OneChicago, LLC. EDGX Rule 2.10 contains similar restrictions on Exchange affiliations with EDGX Members, but also contains additional exceptions, including (a) a Member's acquisition of an equity interest in Cboe Global that is permitted by the ownership and voting limitations contained in the Certificate of Incorporation and Bylaws of Cboe Global, (b) affiliations solely by reason of a Member (or any officer, director, manager, managing member, partner, or affiliate of such Member) becoming a director of the Exchange or Cboe Global, or (c) affiliations with Cboe Trading or other Cboe-affiliated exchanges. Cboe Global and C2 governing documents (which have been filed with the Commission) describe any applicable restrictions on equity ownership of Cboe Global, as well as criteria for directors of C2 and Cboe Global Markets. Additionally, C2 governing documents are substantially similar to those of EDGX, and C2 and EDGX have the same parent company (C2 Global). As discussed below, C2's affiliation with Cboe Trading has recently been approved by the Commission. Therefore, the proposed rule change adds to Rule 3.16 similar exclusions from the affiliation prohibition contained in EDGX Rule 2.10, as the same affiliate restrictions apply

to both exchanges and are consistent with governing documents of C2 and Cboe Global previously filed with the Commission.

The proposed rule change adopts Rule 3.17 to govern the Exchange's use of Cboe Trading as an outbound router. Proposed Rule 3.17 is based on EDGX Rule 2.11. As long as Cboe Trading is affiliated with C2 and is providing outbound routing of orders from C2 to other securities exchanges, facilities of securities exchanges, automated trading systems, electronic communications networks or other brokers or dealers ("Trading Centers" and, such function of Cboe Trading is referred to as the "Outbound Router"), Cboe Trading's outbound routing services would be subject to the following conditions and limitations:

- C2 will regulate the Outbound Router function of Cboe Trading as a facility (subject to Section 6 of the Act), and will, among other things, be responsible for filing with the Commission rule changes and fees relating to the Cboe Trading Outbound Router function and Cboe Trading will be subject to exchange non-discrimination requirements; [sic]
- FINRA, a self-regulatory organization unaffiliated with the Exchange or any of its affiliates, will carry out oversight and enforcement responsibilities as the designated examining authority designated by the Commission pursuant to Rule 17d-1 of the Act with the responsibility for examining Cboe Trading for compliance with applicable financial responsibility rules.
- A Trading Permit Holder's use of Cboe Trading to route orders to another Trading Center will be optional. Any Trading Permit Holder that does not want to use Cboe Trading may use other routers to route orders to other Trading Centers.

- Cboe Trading will not engage in any business other than (a) its Outbound Router function, (b) its Inbound Router function as described in Rule 3.18, (c) its usage of an error account in compliance with proposed paragraph (a)(7) below, and (d) any other activities it may engage in as approved by the Commission.
- The Exchange will establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and its facilities (including Cboe Trading), and any other entity, including any affiliate of Cboe Trading, and, if Cboe Trading or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of Cboe Trading or its affiliate that provides the other business activities and the routing services.
- The Exchange or Cboe Trading may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, Cboe Trading, or a routing destination. The Exchange or Cboe Trading will provide notice of the cancellation to affected Trading Permit Holders as soon as practicable.
- Cboe Trading will maintain an error account for the purpose of addressing positions that are the result of an execution or executions that are not clearly erroneous under Rule 6.29 and result from a technical or systems issue at Cboe Trading, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders (“Error Positions”).
 - For purposes of proposed Rule 3.17(a)(7), an Error Position will not include any position that results from an order submitted by a Trading Permit Holder to the

Exchange that is executed on the Exchange and automatically processed for clearance and settlement on a locked-in basis.

- Except as provided in proposed subparagraph (7)(C) (described in the next bullet), Cboe Trading does not accept any positions in its error account of a Trading Permit Holder or permit any Trading Permit Holder to transfer any positions from the Trading Permit Holder's account to Cboe Trading's error account.
- If a technical or systems issue results in the Exchange not having valid clearing instructions for a Trading Permit Holder to a trade, Cboe Trading may assume the Trading Permit Holder's side of the trade so that the trade can be automatically processed for clearance and settlement on a locked-in basis.
- In connection with a particular technical or systems issue, Cboe Trading or the Exchange will either assign all resulting Error Positions to the Trading Permit Holders in accordance with proposed subparagraph (D)(i),¹⁵ or have all resulting Error Positions liquidated in accordance with proposed subparagraph (D)(ii).¹⁶

¹⁵ Proposed subparagraph (a)(7)(D)(i) states Cboe Trading or the Exchange will assign all Error Positions resulting from a particular technical or systems issue to the Trading Permit Holders affected by that technical or systems issue if Cboe Trading or the Exchange (a) determines it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the Trading Permit Holders affected by that technical or systems issue; (b) determines it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the Trading Permit Holders affected by that technical or systems issue; and (c) has not determined to cancel all orders affected by that technical or systems issue in accordance with proposed subparagraph (a)(6).

¹⁶ Proposed subparagraph (a)(7)(D)(ii) states if Cboe Trading or the Exchange is unable to assign all Error Positions resulting from a particular technical or systems issue to all of the affected Trading Permit Holders in accordance with proposed subparagraph (D), or if Cboe Trading or the Exchange determines to cancel all orders affected by the technical or systems issue in accordance with proposed subparagraph (a)(6), then Cboe Trading will liquidate any applicable Error Positions as soon as practicable. In liquidating such Error Positions, Cboe Trading will (a) provide complete time and price discretion for the

Any determination to assign or liquidate Error Positions, as well as any resulting assignments, will be made in a nondiscriminatory fashion.

- Cboe Trading and the Exchange will make and keep records to document all determinations to treat positions as Error Positions and all determinations for the assignment of Error Positions to Trading Permit Holders or the liquidation of Error Positions, as well as records associated with the liquidation of Error Positions through the third-party broker-dealer.
- The books, records, premises, officers, agents, directors, and employees of Cboe Trading as a facility of the Exchange are deemed to be the books, records, premises, officers, agents, directors, and employees of the Exchange for purposes of, and subject to oversight pursuant to, the Exchange Act. The books and records of Cboe Trading as a facility of the Exchange are subject at all times to inspection and copying by the Exchange and the Commission. Nothing in the Rules precludes officers, agents, directors, or employees of the Exchange from also serving as officers, agents, directors, and employees of Cboe Trading.

The Exchange will comply with the above-listed conditions prior to offering outbound routing from Cboe Trading. In meeting the conditions, the Exchange will have mechanisms in place to protect the independence of the Exchange's regulatory responsibility with respect to Cboe Trading, as well as demonstrate the Cboe Trading cannot use any information that it may have because of its affiliation with the Exchange to its advantage. Current Rule 3.2(f) and

trading to liquidate the Error Positions to a third-party broker-dealer and not attempt to exercise any influence or control over the timing or methods of such trading; and (b) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and Cboe Trading/the Exchange associated with the liquidation of the Error Positions.

proposed Rule 3.16 provide that without prior Commission approval, no Trading Permit Holder may be or become affiliated with the Exchange. The Commission recently approved the adoption of Rule 3.18 regarding Cboe Trading (a C2 Trading Permit Holder) as the Inbound Router for C2.¹⁷ Such approval satisfies the requirement in current Rule 3.2(f) (and proposed Rule 3.16) for Commission approval of the Exchange affiliation with Cboe Trading.¹⁸

Chapter 6

The proposed rule change adds a reference to C2 Rule 6.1 regarding the times at which the System accepts orders and quotes, which are set forth in proposed C2 Rule 6.9 (as discussed below). The proposed rule change also adds Units to the list of options that the Exchange designates to remain open for trading beyond 4:00 p.m. but no later than 4:15 p.m., which is consistent with EDGX rules.¹⁹ The proposed rule change also deletes Interpretation and Policy .03 regarding the trading hours of Quarterly Index Expiration options, as they currently do not and will not trade on C2 upon the System migration.

The proposed rule change reformats C2 Rule 6.4 regarding the minimum increments for bids and offers on simple orders for options traded on the Exchange into a table, which the Exchange believes is easier to read, and moves certain information into Interpretations and Policies .01 and .02. The only substantive change is to provide that Mini-SPX Index (XSP) options, for as long as SPDR options (SPY) participate in the Penny Pilot Program, will have a \$0.01 increment for all series rather than \$0.01 for all series quoting less than \$3 and a \$0.05 for

¹⁷ See Securities Exchange Act Release No. 82952 (March 27, 2018), 83 FR 14096 (April 2, 2018) (SR-C2-2018-004).

¹⁸ The proposed rule change makes nonsubstantive changes to Rule 3.18, including updating paragraph numbering and lettering and reflecting the defined term Cboe Trading and Cboe Exchange.

¹⁹ See, e.g., EDGX Rule 21.2(a) (referred to as Fund Shares and exchange-traded notes in that rule); see also Cboe Options Rule 6.1, Interpretation and Policy .03.

all series quoting more than \$3. The current minimum increments for bids and offers for SPY options, which is an exchange-traded fund that tracks the performance of 1/10th the value of the S&P 500 Index, is \$0.01 regardless of whether option series is quoted above, at, or below \$3. Because both XSP options and SPY options prices are based, in some manner, on 1/10th the price of the S&P 500 Index, the Exchange believes that it is important that these products have the same minimum increments for consistency and competitive reasons. This is also consistent with rules of other exchanges.²⁰ The proposed rule change also modifies the paragraph formatting and moves certain provisions to the Interpretations and Policies.

Current C2 Rule 6.34 describes current provisions regarding System access and connectivity, and the proposed rule change moves relevant provisions to proposed Rule 6.8. As stated in proposed Rule 6.8(a), only authorized Users and associated persons of Users may establish connectivity to and access the Exchange to submit orders and quotes and enter auction response in accordance with the Exchange's System access procedures, technical specifications, and requirements. This is consistent with current Rule 6.34(a), (d), and (e), which provides only authorized market participants (which may only be Trading Permit Holders and associated persons with authorized access, as well as Sponsored Users pursuant to C2 Rule 3.15) may access the Exchange electronically to facilitate quote and order entry as well as auction processing, in accordance with Exchange-prescribed technical specifications (to the extent any agreement is required to be signed, as indicated in current Rule 6.34(d), that would be indicated in such specifications).

Proposed Rule 6.8(b) describes EFIDs. A Trading Permit Holder may obtain one or more EFIDs from the Exchange (in a form and manner determined by the Exchange). The Exchange

²⁰ See, e.g., Cboe Options Rule 6.42, Interpretation and Policy .03.

assigns an EFID to a Trading Permit Holder, which the System uses to identify the Trading Permit Holder and clearing number for the execution of orders and quotes submitted to the System with that EFID. Each EFID corresponds to a single Trading Permit Holder and a single clearing number of a Clearing Trading Permit Holder with the Clearing Corporation. A Trading Permit Holder may obtain multiple EFIDs, which may be for the same or different clearing numbers. A Trading Permit Holder may only identify for any of its EFIDs the clearing number of a Clearing Trading Permit Holder that is a Designated Give Up or Guarantor of the Trading Permit Holder as set forth in Rule 6.30. A Trading Permit Holder is able (in a form and manner determined by the Exchange) to designate which of its EFIDs may be used for each of its ports. If a User submits an order or quote through a port with an EFID not enabled for that port, the System cancels or rejects the order or quote. The proposed rule change regarding EFIDs is similar to the current use of acronyms on the Exchange and consistent with the use of EFIDs on EDGX. The Exchange believes including a description of the use of EFIDs in the Rules adds transparency to the Rules.

Consistent with the definition of port above, the proposed rule change adds Rule 6.8(c), which states a User may connect to the Exchange using a logical port available through an API, such as the industry-standard Financial Information eXchange (“FIX”) protocol or Binary Order Entry (“BOE”) protocol (Cboe Market Interface will no longer be available, as that is an API on C2’s current system while BOE is an API available on the new technology platform). Users may use multiple logical ports. Additionally, this functionality is similar to bandwidth packets currently available on C2, as described in current Rule 6.35 (and therefore which the proposed rule change deletes). Bandwidth packets restrict the maximum number of orders and quotes per second in the same way logical ports do, and Users may similarly have multiple logical ports as

they may have bandwidth packets to accommodate their order and quote entry needs. The Exchange believes it is reasonable to not limit bulk order ports, as the purpose of those ports is to submit message orders in bulk. As discussed below, the Exchange will be able to otherwise mitigate message traffic as necessary.

Proposed Rule 6.9 describes the entry of orders. Users can enter into the System, or cancel previously entered orders, from 7:30 a.m. until market close, subject to the following requirements and conditions:

- (a) Users may transmit to the System multiple orders at a single price level or multiple price levels;
- (b) Each order a User submits to the Exchange must contain the minimum information identified in the Exchange's order entry specifications;
- (c) The System timestamps an order upon receipt, which determines the time ranking of the order for purposes of processing the order; and
- (d) For each System Security, the System transmits to OPRA for display the aggregate size of all orders in the System eligible for display at the best price to buy and sell.
- (e) After market close, Users may cancel orders with Time in Force of GTC or GTD that remain on the book until 4:45 p.m.

Pursuant to current Rule 6.11(a), the Exchange begins accepting order and quotes no earlier than 2:00 a.m. Chicago time, so the proposed change amends this time to 7:30 a.m. Eastern time to be consistent with EDGX.²¹ The Exchange notes C2 currently begins accepting orders and quotes at approximately 6:30 a.m. Chicago time, which is consistent with the proposed rule change, and thus the proposed rule change will not modify the time at which the Exchange begins accepting

²¹ See EDGX Rule 21.7(a).

orders and quotes. The provisions in paragraphs (a) through (d) above are consistent with current C2 System functionality, and the Exchange believes adding these provisions to the Rules provides additional transparency for market participants. They are also substantively the same as EDGX rules.²² Paragraph (e) above provides Users with additional flexibility to manage their orders that remain in the book following the market close. Cancelling a GTC or GTD order at 4:30 p.m. has the same effect as cancelling that order at 7:30 a.m. the following day – ultimately, it accommodates the User’s goal of cancelling an order prior to it potentially executing during the Opening Process the following morning.

Proposed C2 Rule 6.10 states the Exchange may determine to make certain order types, Order Instructions, and Times in Force not available for all Exchange systems or classes. This provision is consistent with current C2 Rule 6.10, which provides the Exchange with similar flexibility. As discussed above, the proposed rule change moves definitions of order types that will be available on C2 following the technology migration to proposed C2 Rule 1.1. The proposed rule change deletes all-or-none and market-on-close orders from Rule 6.10, as they will no longer be available on C2 following the technology migration.²³ Additionally, the proposed rule change maintains a general definition of complex order in proposed C2 Rule 1.1 (as discussed above), but deletes the specific types of complex orders set forth in current Rule 6.10(d) (i.e. spread order, combination order, straddle order, strangle order, ratio order, butterfly spread orders, box/roll spread orders, collar orders and risk reversals). While these types of orders will continue to be permitted, the Exchange does not believe it is necessary to limit complex orders to these specific definitions, as investors may determine complex orders of other

²² See EDGX Rule 21.6(a) through (d).

²³ The proposed rule change makes conforming changes throughout the rules to delete references to these order types and provisions solely related to these order types.

types are more appropriate with their investment strategies. The EDGX rules do not contain similar definitions and instead only contain a general definition of complex orders. The proposed rule change moves the provisions in Interpretation .01(A) and (C) ((B) is deleted, as it relates to an order type that will no longer be available) to Rule 6.12(c), which will consolidate all provisions regarding order handling in a single location in the Rules.

The proposed rule change deletes current Rule 6.11 regarding the opening process on C2, as that opening process will not be available on C2 following the technology migration. Proposed Rule 6.11 describes the opening process that will apply to C2 following the technology migration, which is substantively the same as the current opening process on EDGX.²⁴ The proposed opening process is generally similar to the current C2 opening process, as it provides for a pre-opening period and a determination of an opening price subject to certain restrictions to ensure the opening trading price for a series is reasonable and not too far away from the market price for a series. Additionally, the proposed process is used following a trading halt.

Proposed Rule 6.11(a) describes the order entry period. The System accepts orders and quotes (including GTC and GTD orders remaining on the Book from the previous trading day) for inclusion in the opening process (the “Opening Process”) beginning at 7:30 am and continues to accept market and limit orders and quotes until the time when the System initiates the Opening Process in that option series (the “Order Entry Period”). The System does not accept IOC or FOK orders prior to the completion of the Opening Process. The System accepts but does not enforce MTP Modifiers during the Opening Process. Complex orders will not participate in the Opening Process described in proposed Rule 6.11, and instead may participate in the COB Opening Process described in proposed Rule 6.13(c). The System converts all ISOs received

²⁴ See EDGX Rule 21.7.

prior to the completion of the Opening Process into non-ISOs. Orders entered during the Order Entry Period are not eligible for execution until the opening trade occurs, as described below. Pursuant to current C2 Rule 6.11(a), the System begins accepting orders and quotes no earlier than 2:00 a.m. central time (that time is currently set to 7:30 a.m. eastern time). The Exchange believes beginning the order entry period at 7:30 a.m. eastern time will provide Users with sufficient time to submit orders and quotes prior to the beginning of the Opening Process. This time is the same as when the order entry period on C2 (and EDGX) currently begins. C2 currently also does not accept IOC or FOK orders during the pre-opening period (see current Rule 6.11(a)(1)), and it also does not accept ISOs (see current Rule 6.11(a)(1)) (rather than convert them to non-ISOs). The proposed functionality to convert ISOs to non-ISOs is the same as functionality that exists on EDGX today, and the Exchange believes this may increase the opportunity for execution of these orders during the Opening Process.

Following the technology migration, the C2 System will not have functionality available to disseminate opening messages as it does today, so the proposed rule change deletes current Rule 6.11(a)(2). Additionally, when the Opening Process begins, the System will not disseminate a notice as it does today, so the proposed rule change deletes current Rule 6.11(b) and (c)(2).

Following the technology migration, the Opening Process will be initiated at a similar time as it is today on C2. Proposed Rule 6.11(a) states after a time period (which the Exchange determines for all classes) following the first transaction in the securities underlying the options on the primary market that is disseminated (“First Listing Market Transaction”) after 9:30 a.m. with respect to Equity Options, or following 9:30 a.m. with respect to Index Options, the related option series open automatically in a random order, staggered over regular intervals of time (the Exchange

determines the length and number of these intervals for all classes) pursuant to proposed subparagraphs (2) through (5). This is substantively the same as EDGX Rule 21.7(a). The proposed times will be the same for all classes of Equity Options, and all classes of Index Options, unlike currently on C2 (see current Rule 6.11(b)), where the opening of certain equity classes is triggered by time rather than the First Listing Market Transaction, and the opening of certain index classes is triggered by the receipt of a disseminated index value. Additionally, current C2 Rule 6.11(c) provides for a similar Exchange-configurable delay before a series opens and provides for series to open in a random, staggered order over Exchange-determined time intervals.

Proposed Rule 6.11(a)(2) describes how the new C2 System will calculate the opening price of a series. The System determines a single price at which a particular option series will be opened (the “Opening Price”) within 30 seconds of the First Listing Market Transaction or 9:30 a.m., as applicable. If there are no contracts in a series that would execute at any price, the System will open the series for trading without determining an Opening Price. The Opening Price, if determined to be valid as described below, of a series will be:

- (a) if there is both an NBB and NBO, the midpoint of the NBBO (if the midpoint is a half increment, the System rounds down to the nearest minimum increment (the “NBBO Midpoint”));
- (b) if the NBBO Midpoint is not valid, the last disseminated transaction price in the series after 9:30 a.m. (the “Last Print”); or
- (c) if the NBBO Midpoint and the Last Print are not valid, the last disseminated transaction in the series from the previous trading day (the “Previous Close”).

If the NBBO Midpoint, Last Print, and Previous Close are not valid, the Exchange in its discretion may extend the Order Entry Period by up to 30 seconds or open the series for trading.

For purposes of validating the Opening Price:

(a) the NBBO Midpoint, the Last Print, or the Previous Close is a valid price if it is not outside the NBBO, and the price is no more than the following Minimum Amount away from the NBB or NBO for the series:

NBB	Minimum Amount
Below \$2.00	\$0.25
\$2.00 to \$5.00	\$0.40
Above \$5.00 to \$10.00	\$0.50
Above \$10.00 to \$20.00	\$0.80
Above \$20.00 to \$50.00	\$1.00
Above \$50.00 to \$100.00	\$1.50
Above \$100.00	\$2.00

or

(b) the Last Print or Previous Close is a valid price if there is no NBB and no NBO, or there is a NBB (NBO) and no NBO (NBB) and the price is equal to or greater (less) than the NBB (NBO).

While these conditions to determine the validity of an opening price differ than the opening conditions currently applied on C2, the Exchange believes application of the proposed conditions will still determine a reasonable and fair opening price for series on C2. The

proposed process to determine and validate an Opening Price is substantively the same as the process currently used on EDGX.²⁵

Proposed Rule 6.11(a)(4) states after establishing a valid Opening Price, the System matches orders and quotes in the System that are priced equal to or more aggressively than the Opening Price in accordance with priority applicable to the class pursuant to Rule 6.12. In other words, the System allocates orders and quotes in a class during the Opening Process using the same allocation from Rule 6.12(a) the Exchange applies to the class intraday. Matches occur until there is no remaining volume or an imbalance of orders. All orders and quotes (or unexecuted portions) matched pursuant to the Opening Process will be executed at the Opening Price. The System enters any non-executed orders and quotes (or unexecuted portions) into the Book in time sequence, where they may be processed in accordance with Rule 6.12. The System cancels any OPG orders (or unexecuted portions) that do not execute during the Opening Process. Proposed subparagraph (a)(5) states if the Exchange opens a series for trading when the NBBO Midpoint, Last Print, and Previous Close are not valid as described above, the System enters non-executed orders and quotes (or unexecuted portions) into the Book in time sequence, where they may be processed in accordance with Rule 6.12. This is similar to the opening rotation period described in current Rule 6.11(c) and Interpretation and Policy .01.²⁶ While EDGX and C2 have different matching algorithms consistent with their market models, the proposed opening process represents a fair and objective manner to match orders during the opening. Additionally, proposed Rule 6.11 indicates the opening process will generally occur within 30 seconds (or an extended time at the discretion of the Exchange as noted above), while

²⁵ See EDGX Rule 21.7(a)(1) and (2).

²⁶ The Exchange does not intend to have a different algorithm apply at the open and intraday, and therefore proposes to delete current Rule 6.11, Interpretation and Policy .01.

current Rule 6.11 indicates the opening process generally must occur within 60 seconds (subject to various opening conditions).

Proposed Rule 6.11(a)(5) provides if the Exchange opens a series for trading when the NBBO Midpoint, Last Print, and Previous Close are not valid as described above, the System enters non-executed orders and quotes (or unexecuted portions) into the Book in time sequence, where they may be posted, cancelled, executed, or routed in accordance with proposed Rule 6.12. This is similar C2's current authority to compel opening in a series even if the opening conditions are not met, as set forth in current Rule 6.11(e).

Proposed Rule 6.11(b) describes how the Opening Process will be used to reopen trading following a halt. The Opening Process following a trading halt will be the same as the one used for regular trading (as described above), except as modified by proposed paragraph (b).

Proposed Rule 6.11(b)(1) states there will be an Order Entry Period that begins immediately when the Exchange halts trading in the series if there is a Regulatory Halt (i.e. if the primary market for the applicable underlying security declares a regulatory trading halt, suspension, or pause with respect to such security); however, there will be no Order Entry Period if the Exchange halts for another reason. This is consistent with current Rule 6.11(f), which permits the Exchange to shorten or eliminate the pre-opening period after a halt. Proposed Rule 6.11(b)(2) states the System queues a User's open orders upon a Regulatory Halt, unless the User entered instructions to cancel its open orders upon a Regulatory Halt, for participation in the Opening Process following the Regulatory Halt. The System cancels a User's open orders upon a halt that is not a Regulatory Halt. This functionality will provide Users with additional flexibility to instruct the System how to handle their orders in the event of a Regulatory Halt. Following a trading halt, the System opens a series once the primary market lifts the Regulatory

Halt or upon the Exchange's determination that the conditions that led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading, as described in proposed Rule 6.11(b)(3). Pursuant to proposed Rule 6.11(b)(4), the System determines the Opening Price within 30 seconds of the Regulatory Halt or other trading halt being lifted. The Exchange believes this proposed process for opening following a halt will permit C2 to reopen as quickly as possible and in a fair and orderly manner following a halt. The proposed rule change regarding how the System will open following a trading halt is substantively similar to the Opening Process that may be used following a trading halt described in EDGX Rule 21.7(a).

The proposed rule change moves current Rule 6.11(e) regarding the Exchange's ability to deviate from the standard opening procedure to proposed Rule 6.11(c).

Current C2 Rule 6.11 may be used for closing; however, the proposed rule change only applies to openings. Because C2 generally does not use its current process for a closing, the Exchange does not believe the fact that the proposed process may only be used for openings following the technology migration will impact trading on C2. Therefore, the proposed rule change deletes current C2 Rule 6.11(g).

The proposed rule change moves current Rule 6.11, Interpretation and Policy .03 regarding how the System handles market orders if the underlying security is in a limit up-limit down state during the opening process to proposed Rule 6.11(d).

Proposed Rule 6.11 is substantively the same as EDGX Rule 21.7, and the Exchange believes the proposed opening process (based on current use on EDGX) is a fair and orderly way to open series on C2 following the technology migration.

The proposed rule change deletes current Rule 6.11, Interpretation and Policy .02 regarding Exchange determinations made pursuant to Rule 6.11, as that is replaced by proposed Rule 1.2.

Proposed Rule 6.12 describes how the System will process, display, prioritize, and execute orders and quotes entered into the Book. Current C2 Rule 6.12 provides orders and quotes may be allocated pursuant to price-time or pro-rata, and those two options will also be available on the new System. The proposed rule change revises the description to be similar to EDGX and BZX Rules 21.8. Proposed Rule 6.12(a)(1) states resting orders and quotes²⁷ in the Book with the highest bid and lowest offer have priority.²⁸ Proposed Rule 6.12(a)(2) states if there are two or more resting orders or quotes at the best price, the Exchange will determine for each class whether the time or pro-rata allocation applies. Pursuant to time priority (i.e. price-time), the System prioritizes orders and quotes at the same price in the order in which the System receives them (i.e. in time priority).²⁹ Pursuant to pro-rata priority, the System allocates orders and quotes proportionally according to size (i.e. in a pro-rata basis).³⁰ All classes on EDGX are allocated in a pro-rata manner; however, current C2 rules permit the Exchange to determine for each class whether price-time or pro-rata will apply, and the proposed rule change maintains that flexibility.

²⁷ Displayed orders and quotes always have priority over undisplayed orders and quotes, which is consistent with current C2 functionality. See current Rule 6.12(c)(1) and proposed Rule 6.12(a)(3). Since all-or-none orders will no longer be available on C2 following the technology migration, the only orders that will not be displayed on C2 are the reserve portions of Reserve Orders.

²⁸ See current C2 Rule 6.12(a)(1) and (2) (under both allocation algorithms, orders and quotes are first prioritized based on price); see also EDGX Rule 21.8(b).

²⁹ See current C2 Rule 6.12(a)(1); see also BZX Rule 21.8(a).

³⁰ See current C2 Rule 6.12(a)(2); see also EDGX Rule 21.8(c).

Currently on C2, with respect to the pro-rata allocation algorithm, the System allocates contracts to the first resting order or quote proportionally according to size (based on the number of contracts to be allocated and the size of the resting orders and quotes). Then, the System recalculates the number of contracts to which each remaining resting order and quote is afforded proportionally according to size (based on the number of remaining contracts to be allocated and the size of the remaining resting orders and quotes) and allocates contracts to the next resting order or quote. The System repeats this process until it allocates all contracts from the incoming order or quote. Following the System migration, the System instead will allocate executable quantity to the nearest whole number, with fractions $\frac{1}{2}$ or greater rounded up (in size-time priority) and fractions less than $\frac{1}{2}$ rounded down. If the executable quantity cannot be evenly allocated, the System distributes remaining contracts one at a time in size-time priority to orders that were rounded down. The Exchange believes this is a fair, objective process and simple systematic process to allocate “extra” contracts when more than one market participant may be entitled to those extra contracts after rounding, and it is consistent with EDGX Rule 21.8(c).

Proposed Rule 6.12(a)(3) states displayed orders have priority over nondisplayed orders. This is consistent with current C2 Rule 6.12(c)(1). Following migration, the only nondisplayed orders will be the reserve portions of reserve orders (as discussed above, all-or-none orders will no longer be available).

The proposed rule change deletes current C2 Rule 6.12(a)(3) and (b), which permit the Exchange to apply customer priority, trade participation rights, or additional priority overlays (small order and market turner) to classes. The Exchange does not currently, and does not intend to, apply any of these priority overlays to any class. Therefore, it is not necessary to include

these Rules in the C2 Rulebook, and deleting these rules will have no impact on C2 trading.³¹

The proposed rule change makes conforming changes throughout the rules to delete references to these priority overlays.

Proposed Rule 6.12(b) describes a new Price Adjust process, which is a re-pricing mechanism offered to Users on EDGX.³² As discussed above, orders designated to be subject to the Price Adjust process or not designated as Cancel Back (and thus not subject to the Price Adjust process), will be handled pursuant to proposed Rule 6.12(b).³³ If an order is subject to the Price Adjust process, the System ranks and displays a buy (sell) order that, at the time of entry, would lock or cross a Protected Quotation of the Exchange or another Exchange at one minimum price increment below (above) the current NBO (NBB).

If the NBBO changes so that an order subject to Price Adjust would not lock or cross a Protected Quotation, the System gives the order a new timestamp and displays the order at the price that locked the Protected Quotation at the time of entry. All orders the System re-ranked and re-displayed pursuant to Price Adjust retain their priority as compared to other orders subject to Price Adjust based upon the time the System initially received such orders. Following the initial ranking and display of an order subject to Price Adjust, the System will only re-rank and re-display an order to the extent it achieves a more aggressive price. The System adjusts the ranked and displayed price of an order subject to Price Adjust once or multiple times depending upon the User's instructions and changes to the prevailing NBBO. A limit order subject to the

³¹ The Exchange notes EDGX Rule 21.8 includes customer priority and trade participation right overlays.

³² See EDGX Rule 21.1(i).

³³ Under EDGX rules, the price adjust process is not the default setting for orders, like it will be for C2. However, EDGX Users still have the option to use or not use the price adjust process with various order instructions. Therefore, this is not a significant difference.

Price Adjust process will not be displayed at any price worse than its limit price. This re-pricing mechanism (in addition to the proposed Cancel Back instruction described above) is an additional way in which C2 will ensure compliance with locked and crossed market rules in Chapter 6, Section of the C2 Rulebook and is substantively the same as EDGX Rule 21.1(i). It also provides Users with additional flexibility regarding how they want the System to handle their orders.

Proposed Rule 6.12(c) describes how the System will handle orders in additional circumstances. Proposed subparagraph (1) states, subject to the exceptions contained in Rule 6.82(b), the System does not execute an order at a price that trades through a Protected Quotation of another options exchange. The System routes an order a User designates as routable in compliance with applicable Trade-Through restrictions. The System cancels or rejects any order not eligible for routing or the Price Adjust process that is entered with a price that locks or crosses a Protected Quotation of another options exchange. C2's System currently will not execute orders at trade-through prices, consistent with Chapter 6, Section E of the Rules. This provision is substantively the same as EDGX Rule 21.6(e) and (f).

Additionally, the proposed rule change modifies the handling of stop orders to state the System cancels or rejects a buy (sell) stop or stop-limit order if the NBB (NBO) at the time the System receives the order is equal to or above (below) the stop price, and accepts a buy (sell) stop or stop-limit order if the consolidated last sale price at the time the System receives the order is equal to or above (below) the stop price.³⁴ The Exchange believes comparing the stop price of a stop or stop-limit order to the NBBO and last consolidated sale price rather than prices available on the Exchange is appropriate, as the NBBO better reflects the market price of the

³⁴ Current description of the handling of stop orders is in current C2 Rule 6.11(i), which is being deleted.

series. This is similar to various price protections in the rules, as discussed below, that compare order prices to national prices rather than Exchange prices. This is also the same as EDGX Rule 21.1(d)(11) and (12), which provide that stop and stop-limit orders on EDGX compare the stop price to the NBBO and last consolidated sale price. The C2 System following the technology migration will be unable to compare the stop price of a stop or stop-limit order to the last consolidated sale price upon receipt of the order, which is why the order will still be accepted even if the stop price is above (below) the last consolidated sale price when the System receives it.

Proposed Rule 6.12(c)(3) states the System cancels or rejects a GTC or GTD order in an adjusted series.³⁵ Pursuant to Rule 5.7, due to a corporate action by the issuer of the underlying, OCC may adjust the price of an underlying security. After a corporate action and a subsequent adjustment to the existing options, OPRA and OCC identify the series in question with a separate symbol consisting of the underlying symbol and a numerical appendage. As a standard procedure, exchanges listing options on an underlying security that undergoes a corporate action resulting in adjusted series will list new standard option series across all appropriate expiration months the day after the existing series are adjusted. The adjusted series are generally actively traded for a short period of time following adjustment, but prices of those series may have been impacted by the adjustment. As a result, any GTC or GTD orders submitted prior to the adjustment may no longer reflect the market price of the adjusted series, as the prices of the GTC or GTD orders do not factor in the adjustment. The Exchange believes any executions of such GTC and GTD orders in adjusted series may be at erroneous prices, and thus believes it is

³⁵ This is true on any trading day on which the adjusted series continues to trade.

appropriate for the System to cancel these orders, which will permit Users to resubmit orders in the adjusted series at prices that reflect the adjustment and to submit orders in the new series.

Proposed Rule 6.12(c)(4) states the System does not execute an order with an MTP Modifier entered into the System against an order entered with an MTP Modifier and the same Unique Identifier, and instead handles them in accordance with Rule 1.1, as discussed above. This is consistent with the definition of MTP Modifiers added to Rule 1.1 above and substantively the same as EDGX Rule 21.8(k).

The proposed rule change moves provisions regarding how the System handles market and stop orders during a limit up-limit down state from current Rule 6.10, Interpretation and Policy .01 to proposed Rule 6.12(c)(5).

The proposed rule change deletes current C2 Rule 6.12(c) related to contingency orders. The Exchange does not believe the introductory language and subparagraphs (c)(2) and (3) are necessary, as the order instruction definitions discussed above and order handling instructions below contain detail regarding how the System will handle orders designated as stop, stop-limit, or reserve.³⁶ The proposed rule change moves the provision in subparagraph (c)(1) regarding priority of displayed orders over nondisplayed orders to proposed Rule 6.12(a)(3), as discussed above. Because all-or-none orders will no longer be available following the technology migration, the proposed rule change deletes subparagraph (c)(4), which relates to handling of all-or-none orders.

³⁶ Current C2 rules categorize all-or-none, market-on-close, stop, stop-limit, FOK, IOC, OPG, and reserve orders as contingency orders. As discussed above, the Exchange will no longer make all-or-none and market-on-close orders available following the technology migration. Additionally, the Exchange believes FOK, IOC, and OPG relate to the time of execution of orders rather than a contingency, and thus the proposed rule change categorizes these instructions as Times-in-Force, as discussed above. Therefore, the only current orders that could be deemed contingency under current rules are stop, stop-limit, and reserve.

The proposed rule change deletes current Rule 6.12(e)(2), which states if the price or quantity of one side of a quote is changed, the unchanged side retains its priority position. Additionally, the proposed rule change deletes the reference in Rule 6.12(e)(1) related to the changed side of a quote. Current C2 functionality provides Market-Maker with the ability to submit two-sided quotes, to which the above provisions relates. Following the technology migration, there will be no such functionality available. Market-Makers will submit quotes using order functionality, but it will only permit one-sided quotes to be input. Therefore, these provisions are no longer applicable.

The proposed rule change deletes current Rule 6.12(g) regarding a complex order priority exception. Proposed Rule 6.13 (as described below) describes the priority rules related to the execution of complex orders, so current Rule 6.12(g) is not necessary. As further discussed below, complex orders will trade with leg markets prior to trading with other complex orders, and will never trade at the same price as the SBBO, which is consistent with current Rule 6.12(g).³⁷

The proposed rule change adds proposed Rule 6.12(g), which states options subject to a trading halt initiated pursuant to Rule 6.32 open for trading following the halt at the time specified in Rule 6.11, which is consistent with current Rule 6.11(f). Additionally, proposed Rule 6.12(g) states when trading resumes, the System places orders and quotes that do not execute during the Opening Process in the Book in time priority and processes or executes them as described in Rule 6.12. The Exchange believes this is a fair, objective process and simple systematic process to prioritize orders following a trading halt, and is consistent with EDGX Rule 21.8(j).

³⁷ See proposed C2 Rule 6.13(f)(2).

Proposed Rule 6.13 modifies C2's current complex order functionality to substantially conform to functionality that will be available on C2's new System and is currently used on EDGX. Trading of complex orders will be subject to all other Rules applicable to trading of orders, unless otherwise provided in Rule 6.13 (which is currently the case).

The proposed rule change moves the definitions of COA and COB to proposed paragraph (a). Additionally, the proposed rule change adds definitions of synthetic best bid or offer ("SBBO") and synthetic national best bid or offer ("SNBBO") to proposed paragraph (a), which are referred to in current C2 Rule 1.1 as derivative spread market and national spread market. The proposed rule change also adds the following terms to Rule 6.13(a):

- Complex strategy: The term "complex strategy" means a particular combination of components and their ratios to one another. New complex strategies can be created as the result of the receipt of a complex instrument creation request or complex order for a complex strategy that is not currently in the System. The Exchange is thus proposing two methods to create a new complex strategy, one of which is a message that a Trading Permit Holder can send to create the strategy and the other is a message a Trading Permit Holder can send that will generate the strategy and that is also an order in that same strategy. These methods will be equally available to all Trading Permit Holders, but the Exchange anticipates that Trading Permit Holders and other liquidity providers who anticipate providing larger amounts of trading activity in complex strategies are the most likely to send in a complex instrument creation request (i.e., to prepare for their trading in the complex strategy throughout the day), whereas other participants are more likely to simply send a complex order that simultaneously creates a new strategy. The Exchange

may limit the number of new complex strategies that may be in the System or entered for an EFID (which EFID limit would be the same for all Users) at a particular time.

- Regular trading: The term “regular trading” means trading of complex orders that occurs during a trading session other than (a) at the opening of the COB or re-opening of the COB for trading following a halt (described in paragraph (c) below) or (b) during the COA process (described in proposed Rule 6.13(d)).

These proposed defined terms are the same as those included in EDGX Rule 21.20(a).

Proposed Rule 6.13(b) describes the order types, Order Instructions, and Times-in-Force that are eligible for complex orders to be entered into and handled by the System. As an initial matter, proposed paragraph (b) states the Exchange determines which Times-in-Force of Day, GTC, GTD, IOC, or OPG are available for complex orders (including for eligibility to enter the COB and initiate a COA). The proposed rule change is also consistent with EDGX Rule 21.20(b). Complex orders are Book Only and may be market or limit orders. Because complex orders are not routable, and may not be Post Only, Book Only is the only available Order Instruction related to whether an order is routable or not routable. The only other available Order Instruction for complex orders is Attributable/Non-Attributable. This relates only to information that User wants, or does not want, included when a complex order is displayed, and has no impact on how complex orders are processed or execute. As they do for simple orders, certain Users want the ability to track their orders, such as which of the resting orders in the COB or which COA'd [sic] order is theirs. The Attributable designation means this information will appear in market data feeds and auction messages, permitting these Users to track their own orders.

Proposed paragraph (b) also adds the following instructions that are permissible for complex orders:

- **Complex Only Orders:** A Market-Maker may designate a Day or IOC order as “Complex Only,” which may execute only against complex orders in the COB and may not Leg into the Simple Book. Unless designated as Complex Only, and for all other Times-in-Force and Capacities, a complex order may execute against complex orders in the COB and may Leg into the Simple Book. The Complex Only Order option is analogous to functionality on EDGX. The Exchange also believes the proposed functionality is analogous to other types of functionality already offered by C2 that provides Trading Permit Holders, including Market-Makers, the ability to direct the Exchange not to route their orders away from the Exchange (Book Only). Similar to such analogous features, the Exchange believes that Market-Makers may utilize Complex Only Order functionality as part of their strategies to maintain additional control over their executions, in connection with their attempt to provide and not remove liquidity, or in connection with applicable fees for executions.
- **COA-Eligible and Do-Not-COA Orders:** The Exchange proposes to allow all types of orders to initiate a COA but proposes to have certain types of orders default to initiating a COA upon arrival with the ability to opt-out of initiating a COA and other types of orders default to not initiating a COA upon arrival with the ability to opt-in to initiating a COA. Upon receipt of an IOC complex order, the System does not initiate a COA unless a User marked the order to initiate a COA, in which case the System cancels any unexecuted portion at the end of the COA. Upon receipt of a complex order with any other Time-in-Force (except OPG), the System initiates a COA unless a User marked the order to not

initiate a COA. Buy (sell) complex orders with User instructions to (or which default to) initiate a COA that are higher (lower) than the SBB (SBO) and higher (lower) than the price of complex orders resting at the top of the COB are “COA-eligible orders,” while buy (sell) complex orders with User instructions not to (or which default not to) initiate a COA or that are priced equal to or lower (higher) than the SBB (SBO) or equal to or lower (higher) than the price of complex orders resting at the top of the COB are “do-not-COA orders.” The Exchange believes that this gives market participants extra flexibility to control the handling and execution of their complex orders by the System by giving them the additional ability to determine whether they wish to have their complex order initiate a COA. The Exchange further believes that the proposed default values are consistent with the terms of the orders (e.g., IOC is intended as an immediate execution or cancellation whereas COA is a process that includes a short delay in order to broadcast and provide participants time to respond). Current Rule 6.13(c)(1)(B) defines COA-eligible orders as orders the Exchange determines to be eligible for COA based on size, type, and origin type, so the proposed rule change is consistent with this flexibility. The Exchange determines which Capacities (i.e., non-broker-dealer customers, broker-dealers that are not Market-Makers on an options exchange, or Market-Makers on an options exchange) are eligible for entry onto the COB.³⁸ This is consistent with EDGX Rule 21.20(c). Additionally, current Rule 6.13(c)(2)(A) indicates a COA will initiate if the COA-eligible order is marketable against the BBO, so the proposed marketability requirement in the definition of a COA-eligible is consistent with current COA rules as well as the proposed priority rule. Current Rule 6.13(c)(2)(B) provides Trading Permit

³⁸ Currently, all Capacities may rest complex orders in the COB, which the Exchange plans to be the case following the technology migration.

Holders with ability to choose whether an order is COA-eligible or not, as the proposed rule does. The proposed definition of COA-eligible order is substantively the same as EDGX Rule 21.20, Interpretation and Policy .02.

- **Complex Orders with MTP Modifiers:** Users may apply the following MTP Modifiers to complex orders: MTP Cancel Newest, MTP Cancel Oldest, and MTP Cancel Both. If a complex order would execute against a complex order in the COB with an MTP Modifier and the same Unique Identifier, the System handles the complex orders with these MTP Modifiers as described in Rule 1.1. If a complex order with an MTP Modifier would Leg into the Simple Book and execute against any leg on the Simple Book with an MTP Modifier and the same Unique Identifier, the System cancels the complex order. This will allow a User to avoid trading complex orders against its own orders or orders of affiliates, providing Users with an additional way to maintain control over their complex order executions.

Current Rules 6.10 and 6.13(b) and (c) provide C2 with authority to determine which order types are available for COB and COA (and current paragraph (b) states complex orders may be IOC, Day, or GTC, as GTD functionality is not currently available on C2). Proposed paragraph (b) is consistent with this current Exchange authority and expands the Times-in-Force the Exchange may permit for complex orders to be consistent with the Times-in-Force available for complex orders on EDGX. Proposed Rule 6.13(b) is substantively the same as EDGX Rule 21.20(b). This authority enables the Exchange to modify complex order types available on the Exchange as market conditions change and remain competitive.

Proposed Rule 6.13(c) describes the process of accepting orders prior to the opening of the COB for trading (and prior to re-opening after a halt), and the process by which the Exchange

will open the COB or re-open the COB following a halt (the “Opening Process”). The current COB opening process is described in current Rule 6.13, Interpretation and Policy .07, which the proposed rule change deletes. The proposed COB opening process is substantively the same as the EDGX COB opening process described in EDGX Rule 21.20(c)(A) through (D).

The COB Opening Process will occur at the beginning of each trading day and after a trading halt (similar to the current COB opening process, as stated in current Interpretation and Policy .07(b)). There will be a complex order entry period, during which the System will accept complex orders for inclusion in the COB Opening Process at the times and in the manner set forth in proposed Rule 6.11(a), except the Order Entry Period for complex orders ends when the complex strategy opens. Currently, C2 similarly accepts complex orders prior to the COB opening, at the same time it begins to accept simple orders. As discussed above, this time is changing from no earlier than 2:00 a.m. central to 7:30 a.m. eastern (which time is consistent with the current pre-open period on C2). The Exchange believes this provides Users with sufficient time to enter complex orders prior to the open. Complex orders entered during the Order Entry Period will not be eligible for execution until the COB Opening Process occurs. Beginning at 7:30 a.m. and updated every five seconds thereafter until the initiation of the COB Opening Process, the Exchange will disseminate indicative prices and order imbalance information based on complex orders queued in the System for the COB Opening Process. This is new functionality that will provide Users with information regarding the expected COB opening, which is the same as functionality available on EDGX (see EDGX Rule 21.20(c)(2)(A)).

The System initiates the COB Opening Process for a complex strategy after a number of seconds (which number the Exchange determines) after all legs of the strategy in the Simple

Book are open for trading. This is consistent with the current COB Opening Process, as set forth in current Interpretation and Policy .07(a). All complex orders the System receives prior to opening a complex strategy pursuant to the COB Opening Process, including any delay applied by the Exchange, are eligible to be matched in the COB Opening Process and not during the Opening Process described in Rule 6.11. The proposed delay is consistent with current EDGX functionality and is additional detail in the C2 Rules. C2 similarly applies a delay period during the regular Opening Process, as described above.

If there are matching complex orders in a complex strategy, the System determines the COB opening price, which is the price at which the most complex orders can trade. If there are multiple prices that would result in the same number of complex orders executed, the System chooses the price that would result in the smallest remaining imbalance as the COB opening price. If there are multiple prices that would result in the same number of complex orders executed and the same “smallest” imbalance, the System chooses the price closest to the midpoint of the (i) SNBBO or (ii) if there is no SNBBO available, the highest and lowest potential opening prices as the COB opening price. If the midpoint price would result in an invalid increment, the System rounds the COB opening price up to the nearest permissible increment. If the COB opening price equals the SBBO, the System adjust the COB opening price to a price that is better than the corresponding bid or offer in the Simple Book by \$0.01. This is consistent with EDGX Rule 21.20(c)(2)(C), except on EDGX, the opening price must improve the SBBO only if there are priority customers on the legs.

After the System determines a COB opening price, the Exchange executes matching complex orders in accordance with the priority in proposed Rule 6.12(a) applicable to the class at the COB opening price. The System enters any remaining complex orders (or unexecuted

portions) into the COB, subject to a User's instructions. If there are no matching complex orders in a complex strategy, the System opens the complex strategy without a trade. If after an Exchange-established period of time that may not exceed 30 seconds, the System cannot match orders because (i) the System cannot determine a COB opening price (i.e., all queued orders are market orders) or (ii) the COB opening price is outside the SNBBO, the System opens the complex strategy without a trade. In both case, the System enters any orders in the complex strategy in the COB (in time priority), except it Legs any complex orders it can into the Simple Book. The proposed rule change provides additional detail regarding how the COB will open if there are no matching trades. Additionally, the Exchange believes the proposed configurable time period is important because the opening price protections are relatively restrictive (i.e., based on the SNBBO), and the configurable time period provides the Exchange with the ability to periodically review the process and modify it as necessary to ensure there is sufficient opportunity to have Opening Process executions without also waiting too long to transition to regular trading. This is similar to EDGX Rule 21.20(c)(2)(D).

Currently on C2, the System opens the COB in a similar manner, however it first attempts to match complex orders against orders in the Simple Book, then matches complex orders against each other. As proposed, and consistent with EDGX Rule 21.20(c)(2)(C), complex orders will not leg into the book upon the COB open (unless there are no matching complex orders and a complex strategy opens without a trade); however, the COB opening price must improve the SBBO by at least \$0.01 as described above, thus providing protection to the leg markets (including customers). The proposed matching process for complex orders on the COB is similar to the process in current Interpretation and Policy .07(a)(ii). Additionally, C2 currently restricts valid opening trade prices to be within the SBBO rather than the SNBBO as

the proposed opening process does. The SNBBO more accurately reflects the then-current market, rather than the SBBO, and thus the Exchange believes it is a better measure to use for purposes of determining the reasonability of the prices of orders.

Proposed Rule 6.13(d) describes the COA process for COA-eligible orders. Orders in all classes will be eligible to participate in COA. Upon receipt of a COA-eligible order, the System initiates the COA process by sending a COA auction message to all subscribers to the Exchange's data feeds that deliver COA auction messages. A COA auction message identifies the COA auction ID, instrument ID (i.e., complex strategy), Capacity, quantity, and side of the market of the COA-eligible order. The Exchange may also determine to include the price in COA auction messages, which will be the limit order price or the SBBO (if initiated by a market complex order), or the drill-through price if the order is subject to the drill-through protection in Rule 6.14(b). This is similar to the RFR message the Exchange currently sends to Trading Permit Holders as set forth in current subparagraph (c)(2)(A).

The System may initiate a COA in a complex strategy even though another COA in that complex strategy is ongoing. This concurrent COA functionality is not currently available on C2, but is available on EDGX (see EDGX Rule 21.20(d)(1)). The Exchange believes it will increase price improvement and execution opportunities for complex orders following the technology migration. The Exchange notes at the outset that based on how Exchange Systems operate (and computer processes generally), it is impossible for COAs to occur "simultaneously", meaning that they would commence and conclude at exactly the same time. Thus, although it is possible as proposed for one or more COAs to overlap, each COA will be started in a sequence and with a time that will determine its processing. Thus, even if there are

two COAs that commence and conclude at nearly the same time, each COA will have a distinct conclusion at which time the COA will be allocated.

If there are multiple COAs ongoing for a specific complex strategy, each COA concludes sequentially based on the time each COA commenced, unless terminated early as described below. At the time each COA concludes, the System allocates the COA-eligible order pursuant to proposed Rule 6.13(d)(5) and takes into account all COA Responses for that COA, orders in the Simple Book, and unrelated complex orders on the COB at the time the COA concludes. If there are multiple COAs ongoing for a specific complex strategy that are each terminated early as described below, the System processes the COAs sequentially based on the order in which they commenced. If a COA Response is not fully executed at the end of the identified COA to which the COA Response was submitted, the System cancels or rejects it at the conclusion of the specified COA.

In turn, when the first COA concludes, orders on the Simple Book and unrelated complex orders that then exist will be considered for participation in the COA. If unrelated orders are fully executed in such COA, then there will be no unrelated orders for consideration when the subsequent COA is processed (unless new unrelated order interest has arrived). If instead there is remaining unrelated order interest after the first COA has been allocated, then such unrelated order interest will be considered for allocation when the subsequent COA is processed. As another example, each COA Response is required to specifically identify the COA for which it is targeted and if not fully executed will be cancelled at the conclusion of the COA. Thus, COA Responses will only be considered in the specified COA.

The proposed COA process is substantively the same as the COA process described in EDGX Rule 21.20(d), except there will be no customer priority on C2 for simple or complex orders.

Proposed subparagraph (d)(3) defines the Response Time Interval as the period of time during which Users may submit responses to the COA auction message (“COA Responses”). The Exchange determines the duration of the Response Time Interval, which may not exceed 500 milliseconds. This is similar to current subparagraph (c)(3)(B), except the proposed rule change reduces the maximum time period from three seconds to 500 milliseconds. The Exchange believes that 500 milliseconds is a reasonable amount of time within which participants can respond to a COA auction message, as it is the maximum timeframe in EDGX Rule 21.20(d)(3). The current timer on C2 is 20 milliseconds, and therefore the Exchange believes market believes a maximum response time of 500 milliseconds is sufficient to respond to auctions.

However, the Response Time Interval terminates prior to the end of that time duration:

- (1) when the System receives a non-COA-eligible order on the same side as the COA-eligible order that initiated the COA but with a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order as described below and posts the new order to the COB; or
- (2) when the System receives an order in a leg of the complex order that would improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-eligible order as described below, posts the new order to the COB, and updates the SBBO.

These circumstances that cause a Response Time Interval to terminate prior to the end of the above-noted time duration are substantively the same as EDGX Rule 21.20(d)(5)(C)(i) and (ii). EDGX Rule 21.20(d)(5)(C)(iii) does not apply to C2, as it relates to Priority Customer orders, which have no allocation priority on C2. Current C2 Rule 6.13(c)(8)(C) describes how the System currently handles incoming COA-eligible orders on the same side of the original COA order at a better price. The proposed rule change deletes that provision, as it is being replaced by the functionality above (which order terminates a COA in that circumstance rather than joins the COA, but still provides execution opportunities for the new incoming order by placing it on the COB). The proposed rule change deletes current C2 Rule 6.13(c)(8), which describes current circumstances that cause a COA to end early, as those will no longer apply following the technology migration. The proposed rule change deletes current Rule 6.13(c)(8)(A) and (B) regarding incoming COA-eligible orders received during the Response Time Interval, as those orders may initiate a separate COA under the proposed rule change that permits concurrent COAs. The proposed rule change deletes current Rule 6.13(c)(D) and (E) relating to incoming do-not-COA orders and changes in the leg markets that would terminate an ongoing COA, as under the proposed rules, those new orders would not terminate a COA but would be eligible to execute against the COA-eligible order at the end of the COA) (see proposed subparagraph (d)(2), which states execution will occur against orders in the Simple Book and COB at the time the COA concludes). Ultimately, these incoming orders are eligible for execution against a COA-eligible order under current and proposed rules. The proposed rule change merely changes the potential execution time to the end of the full response interval time from an abbreviated response interval time.

Proposed subparagraph (d)(4) describes COA Responses that may be submitted during the Response Time Interval for a specific COA. The System accepts a COA Response(s) with any Capacity in \$0.01 increments during the Response Time Interval. Current subparagraph (c)(3) permits the Exchange to determine whether Market-Makers assigned to a class and Trading Permit Holders acting as agent for orders resting on the top of the COB in the relevant series, or all Trading Permit Holders, may submit COA Responses. Currently, the Exchange permits all Trading Permit Holders to submit COA Responses, so the proposed rule change is consistent with current C2 practice and merely eliminates this flexibility.

A COA Response must specify the price, size, side of the market (i.e., a response to a buy COA as a sell or a response to a sell COA as a buy) and COA auction ID for the COA to which the User is submitting the COA Response. While this is not included in current C2 rules, it is consistent with System entry requirements for COA Responses. The System aggregates the size of COA Responses submitted at the same price for an EFID, and caps the size of the aggregated COA Responses at the size of the COA-eligible order. This provision is similar to Cboe Options Rule 6.53(d)(v), which caps order and response sizes for allocation purposes to prevent Trading Permit Holders from taking advantage of a pro-rata allocation by submitting responses larger than the COA-eligible order to obtain a larger allocation from that order.

During the Response Time Interval, COA Responses are not firm, and Users can modify or withdraw them at any time prior to the end of the Response Time Interval, although the System applies a new timestamp to any modified COA Response (unless the modification was to decrease its size), which will result in loss of priority. The Exchange does not display COA Responses. At the end of the Response Time Interval, COA Responses are firm (i.e., guaranteed at their price and size). A COA Response may only execute against the COA-eligible order for

the COA to which a User submitted the COA Response. The System cancels or rejects any unexecuted COA Responses (or unexecuted portions) at the conclusion of the COA. This is substantively the same as current subparagraph (c)(7) and EDGX Rule 21.20(d)(4).

Proposed subparagraph (d)(5) describes how COA-eligible orders are processed at the end of the Response Time Interval. At the end of the Response Time Interval, the System executes a COA-eligible order (in whole or in part) against contra side interest in price priority. If there is contra side interest at the same price, the System allocates the contra side interest as follows:

(1) Orders and quotes in the Simple Book for the individual leg components of the complex order through Legging (subject to proposed paragraph (g), as described below), which the System allocates in accordance with the priority in proposed Rule 6.12(a) applicable to the class.

(2) COA Responses and unrelated orders posted to the COB, which the System allocates in accordance with the priority in proposed Rule 6.12(a) applicable to the class.

This allocation is similar to the current allocation priority on C2 following a COA, as set forth in current C2 Rule 6.13(c)(5), except the proposed rule allocates COA-eligible orders to COA responses and resting complex orders in the same priority as it does simple orders, rather than providing public customer complex orders and COA response with priority. The Exchange believes it is appropriate for complex orders to allocate in the same manner as simple orders. Additionally, on EDGX, COA responses and unrelated orders on the COB allocate in time priority, and Leg into the Simple Book in pro-rata priority, as that is the only allocation algorithm available for simple orders on EDGX. EDGX prioritizes customer orders in the simple book. As discussed above, there will be no customer priority on C2 – this applies to both

the Simple Book and the COB. However, by trading with the legs first, this provides protection to customer orders in the legs as well, and ensure no complex orders will trade against the COB ahead of customer orders in the legs.

Proposed subparagraph (d)(5)(B) states the System enters any COA-eligible order (or unexecuted portion) that does not execute at the end of the COA into the COB (if eligible for entry), and applies a timestamp based on the time it enters the COB (see current C2 Rule 6.13(c)(6)). The System cancels or rejects any COA-eligible order (or unexecuted portion) that does not execute at the end of the COA if not eligible for entry into the COB or in accordance with the User's instructions. Once in the COB, the order may execute pursuant to proposed paragraph (e) following evaluation pursuant to proposed paragraph (i), both as described below, and remain on the COB until they execute or are cancelled or rejected. These provisions are substantively the same as EDGX Rule 21.20(d)(5)(A) and (B).

Proposed Rule 6.13(e) describes how the System will handle Do-Not-COA orders (i.e. orders that do not initiate a COA upon entry to the System) and orders resting in the COB. Upon receipt of a do-not-COA order, or if the System determines an order resting on the COB is eligible for execution following evaluation as described below, the System executes it (in whole or in part) against contra side interest in price priority. If there is contra side interest at the same price, the System allocates the contra side interest as follows:

- (1) Orders and quotes in the Simple Book for the individual leg components of the complex order through Legging (as described below), which the System allocates in accordance with the priority in proposed Rule 6.12(a) applicable to the class.
- (2) Complex orders resting on the COB, which the System allocates in accordance with the priority in proposed Rule 6.12(a) applicable to the class.

The System enters any do-not-COA order (or unexecuted portion) that cannot execute against the individual leg markets or complex orders into the COB (if eligible for entry), and applies a timestamp based on the time it enters the COB. The System cancels or rejects any do-not-COA order (or unexecuted portion) that would execute at a price outside of the SBBO, if not eligible for entry into the COB, or in accordance with the User's instructions. Complex orders resting on the COB may execute pursuant to proposed paragraph (e) following evaluation pursuant to proposed paragraph (i), both as described below, and remain on the COB until they execute or are cancelled or rejected.

The proposed rule change is similar to current C2 Rule 6.13(b)(1). Additionally, the proposed rule change is substantively the same as EDGX Rule 21.20(c)(3)(B) and (5)(D), except for the priority of execution. As discussed above, on C2, complex orders will trade against the leg markets ahead of the COB (including customer orders), but will not prioritize customer orders on the leg markets. As discussed above, this is consistent with C2's allocation, which provides no customer priority.

Proposed Rule 6.13(f)(1) states the minimum increment for bids and offers on a complex order is \$0.01, and the components of a complex order may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to the individual components of the complex order. This is consistent with current and proposed Rule 6.4. Proposed Rule 6.13(f)(2) provides the System does not execute a complex order pursuant to Rule 6.13 at a net price (1) that would cause any component of the complex strategy to be executed at a price of zero, (2) worse than the SBBO, (3) that would cause any component of the complex strategy to be executed at a price worse than the individual component price on the Simple Book, (4) worse than the price that would be available if the complex order Legged into the Simple Book, or (5)

ahead of orders on the Simple Book without improving the BBO on at least one component by at least \$0.01. The System executes complex orders without consideration of any prices for the complex strategy that might be available on other exchanges trading the same complex strategy; provided, however, that such complex order price may be subject to the drill-through price protection described below. This is substantively the same as EDGX Rule 21.20(c). However, because complex orders will execute against the leg markets (including customer orders on the legs) prior to executing against complex orders at the same price, complex orders will not execute ahead of a customer order on the legs. Additionally, this provision is substantively the same as current C2 Rules 6.12(g) and 6.13(c)(5).

Proposed paragraph (g) adopts restrictions on the ability of complex orders to Leg into the Simple Book. Specifically, a complex order may Leg into the Simple Book pursuant to proposed subparagraphs (d)(5)(A)(i) and (e)(i), subject to the restrictions in proposed paragraph (g), if it can execute in full or in a permissible ratio and if it has no more than a maximum number of legs (which the Exchange determines on a class-by-class basis and may be two, three or four), subject to the following restrictions:

- (1) All two leg COA-eligible Customer complex orders may Leg into the Simple Book without restriction.
- (2) Complex orders for any other Capacity with two option legs that are both buy or both sell and that are both calls or both puts may not Leg into the Simple Book. These orders may execute against other complex orders on the COB.
- (3) All complex orders with three or four option legs that are all buy or all sell (regardless of whether the option legs are calls or puts) may not Leg into the Simple Book. These orders may execute against other complex orders on the COB.

The proposed rule change is substantively the same as EDGX Rule 21.20(c)(2)(F), except it does not include restrictions related to Customer orders, because Customer priority will not apply on C2. These restrictions serve the same purpose as the protection included in current C2 Rule 6.13(c)(2)(A), which is to ensure that Market-Makers providing liquidity do not trade above their established risk tolerance levels. Currently, liquidity providers (typically Market Makers, though such functionality is not currently limited to registered Market Makers) in the Simple Book are protected by way of the Risk Monitor Mechanism by limiting the number of contracts they execute as described above. The Risk Monitor Mechanism allows Market-Makers and other liquidity providers to provide liquidity across potentially hundreds of options series without executing the full cumulative size of all such quotes before being given adequate opportunity to adjust the price and/or size of their quotes.

All of a participant's quotes in each option class are considered firm until such time as the Risk Monitor Mechanism's threshold has been equaled or exceeded and the participant's quotes are removed by the Risk Monitor Mechanism in all series of that option class. Thus the Legging of complex orders presents higher risk to Market-Makers and other liquidity providers as compared to simple orders being entered in multiple series of an options class in the simple market, as it can result in such participants exceeding their established risk thresholds by a greater number of contracts. Although Market-Makers and other liquidity providers can limit their risk through the use of the Risk Monitor Mechanism, the participant's quotes are not removed until after a trade is executed. As a result, because of the way complex orders leg into the regular market as a single transaction, Market-Makers and other liquidity providers may end up trading more than the cumulative risk thresholds they have established, and are therefore exposed to greater risk. The Exchange believes that Market Makers and other liquidity providers

may be compelled to change their quoting and trading behavior to account for this additional risk by widening their quotes and reducing the size associated with their quotes, which would diminish the Exchange's quality of markets and the quality of the markets in general.

Proposed Rule 6.13(h) contains additional provisions regarding the handling of complex orders:

- A complex market order or a limit order with a price that locks or crosses the then-current opposite side SBBO and does not execute because the SBBO is the best price but not available for execution (because it does not satisfy the complex order ratio or the complex order cannot Leg into the Simple Book) enters the COB with a book and display price that improves the then-current opposite side SBBO by \$0.01. If the SBBO changes, the System continuously reprices the complex order's book and display price based on the new SBBO (up to the limit price, if it is a limit order), subject to the drill-through price protection described in Rule 6.14(b), until: (A) the complex order has been executed in its entirety; or (B) the complex order (or unexecuted portion) of the complex order is cancelled or rejected. This provision is substantively the same as EDGX Rule 21.20(c)(4) and (6), except it improves the SBBO by \$0.01 in all cases. This is consistent with the proposed C2 rule to trade with the leg markets ahead of the COB. The purpose of using the calculated SBBO is to enable the System to determine a valid trading price range for complex strategies and to protect orders resting on the Simple Book by ensuring that they are executed when entitled. Additionally, this process ensures the System will not execute any component of a complex order at a price that would trade through an order on the Simple Book. The Exchange believes that this is reasonable because it prevents the components of a complex order from trading at a price that is inferior to a

price at which the individual components may be traded on the Exchange or ahead of the leg markets.

- If there is a zero NBO for any leg, the System replaces the zero with a price \$0.01 above NBB to calculate the SNBBO, and complex orders with any buy legs do not Leg into the Simple Book. If there is a zero NBB, the System replaces the zero with a price of \$0.01, and complex orders with any sell legs do not Leg into the Simple Book. If there is a zero NBB and zero NBO, the System replaces the zero NBB with a price of \$0.01 and replaces the zero NBO with a price of \$0.02, and complex orders do not Leg into the Simple Book. The SBBO and SNBBO may not be calculated if the NBB or NBO is zero (as noted above, if the best bid or offer on the Exchange is not available, the System uses the NBB or NBO when calculating the SBBO). As discussed above, permissible execution prices are based on the SBBO. If the SBBO is not available, the System cannot determine permissible posting or execution pricing for a complex order (which are based on the SBBO), which could reduce execution opportunities for complex orders. If the System were to use the zero bid or offer when calculating the SBBO, it may also result in executions at erroneous prices (since there is no market indication for the price at which the leg should execute). For example, if a complex order has a buy leg in a series with no offer, there is no order in the leg markets against which this leg component could execute. This is consistent with functionality on EDGX, and the proposed rule change is merely including this detail in the C2 rules. This is also consistent with the proposed rule change (and EDGX rule) that states complex order executions are not permitted if the price of a leg would be zero. Additionally, this is similar to the proposed rule change described above to improve the posting price of a complex order by \$0.01 if it would

otherwise lock the SBBO. The proposed rule change is a reasonable process to ensure complex orders receive execution opportunities, even if there is no interest in the leg markets.³⁹

Proposed Rule 6.13(i) states the System evaluates an incoming complex order upon receipt after the open of trading to determine whether it is a COA-eligible order or a do-not-COA order and thus whether it should be processed pursuant to proposed paragraph (d) or (e), respectively. The System also re-evaluates a complex order resting on the COB (including an order (or unexecuted portion) that did not execute pursuant to proposed paragraph (d) or (e) upon initial receipt) (1) at time the COB opens, (2) following a halt, and (3) during the trading day when the leg market price or quantity changes to determine whether the complex order can execute (pursuant to proposed Rule 6.13(e) described above), should be repriced (pursuant to proposed paragraph (h)), should remain resting on the COB, or should be cancelled. This is consistent with EDGX Rule 21.20(c)(2)(G) and (c)(5). This evaluation process ensures that the System is monitoring and assessing the COB for incoming complex orders, and changes in market conditions or events that cause complex orders to reprice or execute, and conditions or events that result in the cancellation of complex orders on the COB. This ensures the integrity of the Exchange's System in handling complex orders and results in a fair and orderly market for complex orders on the Exchange.

³⁹ Cboe Options Rule 6.13(b)(vi) states if a market order is received when the national best bid in a series is zero, if the Exchange best offer is less than or equal to \$0.50, the Cboe Options system enters the market order into the book as a limit order with a price equal to the minimum trading increment for the series. Similar to the proposed rule change, this is an example of an exchange modifying an order price to provide execution opportunities for the order when there is a lack of contra-side interest when the order is received by the exchange.

Proposed Rule 6.13(j) states the System cancels or rejects a complex market order it receives when the underlying security is subject to a limit up-limit down state, as defined in Rule 6.39. If during a COA of a COA-eligible market order, the underlying security enters a limit up-limit down state, the System terminates the COA without trading and cancels or rejects all COA Responses. This is consistent with handling of simple market orders during a limit up-limit down state, and is substantively the same as EDGX Rule 21.20(d)(8) and current Rule 6.13(c)(9).

Proposed Rule 6.13(k) describes the impact of trading halts on the trading of complex orders. If a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy will be suspended. The System queues a Trading Permit Holder's open orders during a Regulatory Halt, unless the Trading Permit Holder entered instructions to cancel its open complex orders upon a Regulatory Halt, for participation in the re-opening of the COB as described below. A Trading Permit Holder's complex orders are cancelled unless the Trading Permit Holder instructed the Exchange not to cancel its orders. The COB will remain available for Users to enter and manage complex orders that are not cancelled. Incoming complex orders that could otherwise execute or initiate a COA in the absence of a halt will be placed on the COB. Incoming complex orders with a time in force of IOC will be cancelled or rejected.

If, during a COA, any component(s) and/or the underlying security of a COA-eligible order is halted, the COA ends early without trading and all COA Responses are cancelled or rejected. Remaining complex orders will be placed on the COB if eligible or will be cancelled. When trading in the halted component(s) and/or underlying security of the complex order resumes, the System will re-open the COB pursuant to proposed paragraph (c) (as described above). The System queues any complex orders designated for a re-opening following a halt

until the halt has ended, at which time they are eligible for execution in the Opening Process. This proposed rule change regarding the handling of complex orders during a trading halt is substantively the same as EDGX Rule 21.20, Interpretation and Policy .05.

The Exchange believes the proposed provisions described above regarding complex order handling and executions provide a framework that will enable the efficient trading of complex orders in a manner that is similar to current C2 functionality and substantively the same as EDGX functionality. As described above, complex order executions are designed to work in concert with a priority of allocation that continues to respect the priority of allocations on the Simple Book while protecting orders in the Simple Book.

Proposed Interpretation and Policy .01 states Market-Makers are not required to quote on the COB. Complex strategies are not subject to any quoting requirements applicable to Market-Makers in the simple market. The Exchange does not take into account Market-Makers' volume executed in complex strategies when deterring whether Market-Makers meet their quoting obligations in the simple market. This codifies current C2 practice and is identical to EDGX Rule 21.20, Interpretation and Policy .01.⁴⁰

The proposed rule change deletes current Rule 6.13, Interpretation and Policy .02, which describes how orders resting on the COB may initiate a COA under certain conditions. This "re-COA" functionality will not be available on C2 following the technology migration. However, as described above, the System continuously evaluates orders resting on the COB for execution opportunities against incoming complex orders or orders in the leg markets. Pursuant to EDGX Rule 21.20(c)(5)(B), continual evaluation of orders on the COB does not determine whether

⁴⁰ The proposed rule change deletes current C2 Rule 6.13, Interpretation and Policy .01 regarding determinations made by the Exchange, which is being replaced by proposed Rule 1.2.

orders may be subject to another COA. Therefore, the proposed rule change is consistent with EDGX rules, which do not permit “re-COA.”

Proposed Interpretation and Policy .02 states a Trading Permit Holder’s dissemination of information related to COA-eligible orders to third parties or a pattern or practice of submitting orders that cause a COA to conclude early will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1. This combines EDGX Rule 21.20, Interpretation and Policy .02 and current C2 Rule 6.13, Interpretation and Policy .03 into a single provision regarding behavior related to COAs that may be deemed inconsistent with just and equitable principles of trade.

Stock-option orders will not be available on C2 following the technology migration, so the proposed rule change deletes all provisions related to, and references to, stock-option orders from Rule 6.13 (including Interpretation and Policy .06) and elsewhere in the Rules. Stock-option order functionality is not currently available on C2, so this proposed rule change will have no impact on C2 market participants.

As discussed above, proposed Rule 6.13 regarding complex orders is substantially the same as EDGX Rule 21.20 or current Rule 6.13, except for provisions related to priority, as C2 will not have customer priority. Proposed Rule 6.13 has nonsubstantive differences compared to EDGX Rule 21.20, which differences are intended to simplify the description of complex orders, re-organize the provisions, and eliminate duplicative language.

Current C2 Rule 6.14 describes SAL, an electronic auction mechanism that provides price improvement for simple orders. Pursuant to this rule, the Exchange may determine whether to make SAL available on C2. The proposed rule change deletes this rule (and makes conforming changes throughout the rules, including deleting references to SAL and Rule 6.14),

as this functionality will not be available on C2 following the technology migration. Currently, the Exchange has not made SAL available for any classes on C2.

Proposed C2 Rule 6.14 consolidates all order and quote price protection mechanisms and risk controls into a single rule, and states the System's acceptance and execution of orders and quotes pursuant to the Rules, including proposed Rules 6.11 through 6.13, are subject to the price protection mechanisms and risk controls in proposed Rule 6.14. Proposed Rule 6.14 categorizes these mechanisms and controls as ones applicable to simple orders (proposed paragraph (a)), complex orders (proposed paragraph (b)), and all (i.e. simple and complex) orders (proposed paragraph (c)).

The following table identifies the current price protection mechanism and risk control, the current C2 Rule, the proposed C2 Rule, the corresponding EDGX rule (if any), and any proposed changes:

Price Protection/ Risk Control	Current C2 Rule	Proposed C2 Rule	EDGX Rule	Proposed Changes
Handling of market orders received in no-bid series	6.12(h)	6.14(a)(1)	N/A	Pursuant to the proposed rule change, the System cancels or rejects a market order if there is no-bid and the Exchange best offer is less than or equal to \$0.50. Under current functionality, the System would treat the sell order as a limit order with a price equal to the minimum increment in this situation. The proposed rule change also expands the same protection to market orders in no-offer series. The Exchange believes the proposed rule change will provide protection for these orders to prevent execution at potentially erroneous prices when a market order is entered in a series with no bid or offer.

Market order NBBO width protection	6.17(a)(1)	6.14(a)(2)	21.17(a)	The proposed functionality is generally the same as current functionality, except the acceptable amount away from NBBO a market order may execute will be determined by a percentage away from the NBBO midpoint (subject to a minimum and maximum dollar amount) rather than specified dollar ranges based on premium, providing the Exchange with flexibility it believes appropriate given previous experience with risk controls.
Buy order put check	6.17(d)	6.14(a)(3)	21.17(c)	The proposed rule change will apply to market order executions during the Opening Process, and deletes the call underlying value check in current Rule 6.17(d)(1)(B), as this functionality will not be available on C2's new system following the technology migration. The proposed rule change also deletes references to auctions because C2 will have no simple order auctions following the migration.
Drill-through protection (simple)	6.17(a)(2)	6.14(a)(4)	21.17(d)	The proposed functionality is generally the same as current functionality, except the drill-through amount is a buffer amount determined by class and premium rather than a number ticks. The proposed rule change deletes the distinction between orders exposed via SAL or HAL, as those auction mechanisms will not be available on C2's new system following the technology migration. The proposed functionality applies to Day orders, as well as GTD and GTC orders that reenter the Book from the prior trading day, but not IOC or FOK, as resting in the Book for a period of time is inconsistent with their purpose (which is to cancel if not executed immediately).
Definitions of	6.13.04	6.14(b)(1)	21.20.04(a)	No substantive changes

vertical spread, butterfly spread, and box spread				
Credit-to-debit parameters	6.13.04(b)	6.14(b)(2)	21.20.04(b)	No substantive changes
Debit/credit price reasonability checks	6.13.04(c)	6.17(b)(3)	21.20.04(c)	The proposed functionality is generally the same as current functionality, except the acceptable price is subject to a pre-set buffer amount, which flexibility is consistent with EDGX functionality. The proposed rule change also makes an additional change to conform to a Cboe Options rule, as described below.
Buy strategy parameters	6.13.04(d)	6.17(b)(4)	21.20.04(d)	The proposed functionality is generally the same as current functionality, except the net credit price is subject to a buffer amount (consistent with EDGX functionality). The proposed rule change deletes the mechanism's applicability to sell strategies, as that functionality will not be available on C2 following the technology migration.
Maximum value acceptable price range	6.13.04(h)	6.17(b)(5)	21.20.04(e)	The proposed functionality is generally the same as current functionality, except the price range is calculated using a buffer amount (consistent with EDGX functionality) rather than a percentage amount.
Drill-through protection (complex)	N/A	6.17(b)(6)	21.20.04(f)	The proposed functionality is generally the same as current functionality that applies to simple orders, and expands it to complex orders. The proposed rule change replaces market width parameter protection and acceptable percentage range parameter in current Rule 6.13.04(a) and (e), respectively, which currently protect C2 complex

				<p>orders from executing at potentially erroneous prices too far away from the order's price or the market's best price. The proposed rule is substantially similar to EDGX Rule 21.20(c)(2)(E), except as follows: (1) the proposed rule change adds the concept that a COA-eligible order would initiate a COA at the drill-through price (this is consistent with current EDGX functionality and is additional detail in the C2 Rules) (the prices for complex strategy executions may be subject to the drill-through protection, which is intended to capture the concept that the price of a COA may be impacted by the drill-through protection; the proposed rule change makes this explicit in the C2 rules); and (2) describes how a change in the SBBO prior to the end of the time period but the complex order cannot Leg, and the new SBO (SBB) crosses the drill-through price, the System changes the displayed price of the complex order to the new SBO (SBB) minus (plus) \$0.01, and the order will not be cancelled at the end of the time period (consistent with EDGX functionality, and the proposed rule change adds this detail to the C2 Rules). The proposed rule change merely permits an order to remain on the COB since the market reflects interest to trade (but not currently executable due to Legging Restrictions) that was not there was not at the beginning of the time period, providing additional execution opportunities prior to cancellation.</p>
Limit Order Fat Finger Check	6.13.04(g) and 6.17(b)	6.14(c)(1)	21.17(b) and 21.20, Interpretation and Policy .06	<p>The proposed functionality is generally the same as current functionality, except the amount away from the NBBO a limit order price may be is a buffer amount rather than a number of ticks with no minimum, and Exchange</p>

				<p>may determine whether the check applies to simple orders prior to the conclusion of the Opening Process (current rules codify pre-open application), providing the Exchange with flexibility it believes appropriate given previous experience with risk controls. The proposed rule change does not apply to GTC or GTD orders that reenter the Book from the prior trading day, as this check only applies to orders when the System receives them. The proposed rule change provides Users with ability to set a different buffer amount to accommodate its own risk modeling; does not apply to adjusted series prior to the Opening Process, as prices may reflect the corporate action for the underlying but the previous day's NBBO would not reflect that action. If the check applies prior to the Opening Process, the System compares the order's price to the midpoint of the NBBO rather than the previous day's closing price, which the Exchange believes is another reasonable price comparison; will no longer exclude ISOs, which is consistent with EDGX functionality.</p>
Maximum contract size	6.17(h)	6.14(c)(2)	N/A	<p>The proposed functionality is generally the same as current functionality, except the Exchange will set a default amount rather than permit User to set amount. The proposed rule change applies per port rather than acronym or login. The functionality to cancel a resting order or quote if replacement order or quote is entered will not be available on C2 following the technology migration (however, a User can enable cancel on reject functionality described below to receive same result).</p>

Maximum notional value	N/A	6.14(c)(3)	Technical specifications	Voluntary functionality similar to maximum contract size, except the System cancels or rejects an incoming order or quote with a notional value that exceeds the maximum notional value a User establishes for each of its ports. The proposed rule change provides an additional, voluntary control for Users to manage their order and execution risk on C2
Daily risk limits	N/A	6.14(c)(4)	Technical specifications	Voluntary functionality pursuant to which a User may establish limits for cumulative notional booked bid (“CBB”) or offer (“CBO”) value, and cumulative notional executed bid (“CEB”) or offer (“CEO”) value for each of its ports on a net or gross basis, or both, and may establish limits for market or limit orders (counting both simple and complex), or both. If a User exceeds a cutoff value (by aggregating amounts across the User’s ports), the System cancels or rejects incoming limit or market orders, or both, as applicable. ⁴¹
Risk monitor mechanism	6.17(g) and 8.12	6.14(c)(5)	6.36	Similar functionality to current C2 quote risk monitor and order entry, execution, and price parameter rate checks, which will not be available on C2 following the technology migration (discussed below) [sic]
Cancel on reject	N/A	6.14(c)(6)	Technical specifications	Additional, voluntary control for Users to manage their order and execution risk on C2, pursuant to which the System cancels a resting order or quote if the System rejects a cancel or modification instruction (because, for example, it had an invalid instruction)

⁴¹ The System calculates a notional cutoff on a gross basis by summing CBB, CBO, CEB, and CEO. The System calculates a notional cutoff on a net basis by summing CEO and CBO, then subtracting the sum of CEB and CBB, and then taking the absolute value of the resulting amount.

				for that resting order or quote. The proposed rule change is consistent with the purpose of a cancel or modification, which is to cancel the resting order or quote, and carries out this purpose despite an erroneous instruction on the cancel/modification message.
Kill switch	6.17(i)	6.14(c)(7)	22.11	The proposed functionality is generally the same as current functionality, except Users may apply it to different categories of orders by EFID rather than acronym or login (consistent with new System functionality), and block of incoming orders or quotes is a separate request by Users.
Cancel on disconnect	6.48	6.14(c)(8)	Technical specifications	The proposed functionality is generally the same as current technical disconnect functionality, except it is the same for both APIs on the new C2 system. The proposed rule change will continue to protect Users against erroneous executions if it appears they are experiencing a system disruption. The proposed functionality will no longer provide TPHs with ability to determine length of interval, but does provide additional flexibility with respect to which order types may be cancelled – current functionality permits a choice of market-maker quotes and day orders, while the proposed functionality permits a choice of day and GTC/GTD orders, or just day orders.
Block new orders	N/A	N/A	22.11	Similar to automatic functionality that occurs on C2 currently when a Trading Permit Holder uses kill switch functionality. The proposed rule change merely provides a separate way to achieve this result on the new System, providing Users with flexibility regarding how to manage

				their resting orders and quotes.
Duplicate order protection	N/A	N/A	Technical specifications	Additional, voluntary control for Users to manage their order and execution risk on C2. The proposed rule change protects Users against execution of multiple orders that may have been erroneously entered.

The proposed rule change deletes the mechanisms related to execution of quotes that lock or cross the NBBO and quotes inverting the NBBO. Since there will be no separate order and quote functionality, orders submitted by Market-Makers will be subject to the protections described above.

Under the current EDGX debit/credit price reasonability check (see EDGX Rule 21.20.04(c)), the System only pairs calls (puts) if they have the same expiration date but different exercise prices or the same exercise price but different expiration dates. Under the current C2 debit/credit reasonability check, with respect to pairs with different expiration the System pairs of calls (puts) with different expiration dates if the exercise price for the call (put) with the farther expiration date is lower (higher) than the exercise price for the nearer expiration date in addition to those with different expiration dates and the same exercise price. The proposed rule change amends this check to pair orders in the same manner as EDGX, which is to pair calls (puts) if they have the same expiration date but different exercise prices or the same exercise price but different expiration dates.

Additionally, the proposed rule change deletes the exception for complex orders with European-style exercise. The Exchange no longer believes this exception is necessary and will expand this check to index options with all exercise styles.

The proposed Risk Monitor Mechanism is substantively the same as the functionality currently available on EDGX. Because there will no longer be separate order and quote functionality on C2 following the technology migration, there will no longer be separate mechanisms to monitor entry and execution rates, as there are on C2 today. Each User may establish limits for the following parameters in the Exchange's counting program. The System counts each of the following within a class ("class limit") and across all classes for an EFID ("firm limit") over a User-established time period ("interval") on a rolling basis up to five minutes (except as set forth in (iv) below) and on an absolute basis for a trading day ("absolute limits"):

- (i) number of contracts executed ("volume");
- (ii) notional value of executions ("notional");
- (iii) number of executions ("count"); and
- (iv) number of contracts executed as a percentage of number of contracts outstanding within an Exchange-designated time period or during the trading day, as applicable ("percentage"), which the System determines by calculating the percentage of a User's outstanding contracts that executed on each side of the market during the time period or trading day, as applicable, and then summing the series percentages on each side in the class.

When the System determines the volume, notional, count, or percentage:

- (i) exceeds a User's class limit within the interval or the absolute limit for the class, the Risk Monitor Mechanism cancels or rejects such User's orders or quotes in all series of the class and cancels or rejects any additional orders or quotes from the User in the class until the counting program resets (as described below).

(ii) exceeds a User's firm limit within the interval or the absolute limit for the firm, the Risk Monitor Mechanism cancels or rejects such User's orders or quotes in all classes and cancels or rejects any additional orders or quotes from the User in all classes until the counting program resets (as described below).

The Risk Monitor Mechanism will also attempt to cancel or reject any orders routed away to other exchanges.

The System processes messages in the order in which they are received. Therefore, it will execute any marketable orders or quotes that are executable against a User's order or quote and received by the System prior to the time the Risk Monitor Mechanism is triggered at the price up to the size of the User's order or quote, even if such execution results in executions in excess of the User's parameters.

The System will not accept new orders or quotes from a User after a class limit is reached until the User submits an electronic instruction to the System to reset the counting program for the class. The System will not accept new orders or quotes from a User after a firm limit is reached until the User manually notifies the Trade Desk to reset the counting program for the firm, unless the User instructs the Exchange to permit it to reset the counting program by submitting an electronic message to the System. The Exchange may restrict the number of User class and firm resets per second.

The System counts executed COA responses as part of the Risk Monitor Mechanism. The System counts individual trades executed as part of a complex order when determining whether the volume, notional, or count limit has been reached. The System counts the percentage executed of a complex order when determining whether the percentage limit has been reached.

The Risk Monitor Mechanism provides Users with similar ability to manage their order and execution risk to the quote risk monitor and rate checks currently available on C2. It merely uses different parameters and modifies the functionality to conform C2's new System.

With respect to various price protections and risk controls in current Rules 6.13, Interpretation and Policy .04, and 6.17, the Exchange has the authority to provide intraday relief by widening or inactivating one or more of the parameter settings for the mechanisms in those rules. This authority is included in proposed Interpretation and Policy .01, to provide this flexibility for all price protections and risk controls for which the Exchange sets parameters, providing the Exchange with flexibility it believes appropriate given previous experience with risk controls. The Exchange will continue to make and keep records to document all determinations to grant intraday relief, and periodically review these determinations for consistency with the interest of a fair and orderly market.

The proposed rule change moves the provision regarding the Exchange's ability to share User-designated risk settings in the System with a Clearing Trading Permit Holder that clears Exchange transactions on behalf of the User from the introduction of current Rule 6.17 to proposed Rule 6.14, Interpretation and Policy .02.

Proposed Rule 6.15 replaces current Rule 6.36 regarding routing of orders to other exchanges. C2 will continue to support orders that are designated to be routed to the NBBO as well as orders that will execute only within C2 (as discussed above). Orders designated to execute at the NBBO will be routed to other options markets for execution when the Exchange is not at the NBBO, consistent with the Options Order Protection and Locked/Crossed Market Plan. Subject to the exceptions contained in Rule 6.81, the System will ensure that an order will not be executed at a price that trades through another options exchange. An order that is designated by

a Trading Permit Holder as routable will be routed in compliance with applicable Trade-Through restrictions. Any order entered with a price that would lock or cross a Protected Quotation that is not eligible for either routing, or the Price Adjust process described above, will be cancelled.

Proposed Rule 6.15 states for System securities, the order routing process is available to Users from 9:30 a.m. until market close. Users can designate an order as either available or not available for routing. Orders designated as not available for routing (either Book Only or Post Only) are processed pursuant to Rule 6.12. For an order designated as available for routing, the System first checks for the Book for available contracts for execution against the order pursuant to Rule 6.12. Unless otherwise instructed by the User, the System then designates the order (or unexecuted portion) as IOC and routes it to one or more options exchanges for potential execution, per the User's instructions. After the System receives responses to the order, to the extent it was not executed in full through the routing process, the System processes the order (or unexecuted portion) as follows, depending on parameters set by the User when the incoming order was originally entered:

- cancels the order (or unexecuted portion) back to the User;
- posts the unfilled balance of the order to the Book, subject to the Price Adjust process described in proposed Rule 6.12(b), if applicable. [sic]
- repeats the process described above by executing against the Book and/or routing to the other options exchanges until the original, incoming order is executed in its entirety;
- repeats the process described above by executing against the Book and/or routing to the other options exchanges until the original, incoming order is executed in its

entirety, or, if not executed in its entirety and a limit order, posts the unfilled balance of the order on the Book if the order's limit price is reached; or

- to the extent the System is unable to access a Protected Quotation and there are no other accessible Protected Quotations at the NBBO, cancels or rejects the order back to the User, provided, however, that this provision does not apply to Protected Quotations published by an options exchange against which the Exchange has declared self-help.

Currently, C2 automatically routes intermarket sweep orders, consistent with the definition in Rule 6.80(8). This routing process is functionally equivalent to the current C2 routing process, and referred to as SWPA and is specifically described in proposed Rule 6.15(a)(2)(B). Specifically, SWPA is a routing option (which will be the default routing option following migration, and thus, if no other routing option is specified by a User, a User's order subject to routing will be handled in the same way it is today). Following the technology migration, C2 will offer additional routing options identical to the routing options offered by EDGX.⁴² Routing options may be combined with all available Order Instructions and Times-in-Force, with the exception of those whose terms are inconsistent with the terms of a particular routing option. The System considers the quotations only of accessible markets. The term "System routing table" refers to the proprietary process for determining the specific options exchanges to which the System routes orders and the order in which it routes them. The Exchanges reserves the right to maintain a different System routing table for different routing

⁴² Users may mark orders as eligible for routing (with one of the four proposed routing instructions) or not eligible for routing (with either a Book Only or Post Only instruction). Separately, both routable and non-routable orders may be marked with repricing instructions (either Price Adjust (single or multiple) and Cancel Back), which instruction the System will apply when it receives the order from the User or receives any unexecuted portion of an order upon returning from routing.

options and to modify the System routing table at any time without notice. These additional routing options are ROUT, destination specific, and directed ISO:

- ROUT is a routing option under which the System checks the Book for available contracts to execute against an order and then sends it to destinations on the System routing table. A User may select either Route To Improve (“RTI”) or Route To Fill (“RTF”) for the ROUT routing option. RTI may route to multiple destinations at a single price level simultaneously while RTF may route to multiple destinations and at multiple price levels simultaneously.
- Destination specific is a routing option under which the System checks the Book for available contracts to execute against an order and then sends it to a specific away options exchange.
- Directed ISO is a routing option under which the System does not check the Book for available contracts and sends the order to another options exchange specified by the User. It is the enter Trading Permit Holder’s responsibility, not the Exchanges responsibility, to comply with the requirements relating to Intermarket Sweep Orders.

The Exchange also proposes to offer two options for Re-Route instructions, Aggressive Re-Route and Super Aggressive Re-Route, either of which can be assigned to routable orders:

- Pursuant to the Aggressive Re-Route instruction, if the remaining portion of a routable order has been posted to the Book pursuant proposed paragraph (a)(1) above, if the order’s price is subsequently crossed by the quote of another accessible options exchange, the System routes the order to the crossing options exchange if the User has selected the Aggressive Re-Route instruction.

- Pursuant to the Super Aggressive Re-Route instruction, to the extent the unfilled balance of a routable order has been posted to the Book pursuant to subparagraph (a)(1) above, if the order's price is subsequently locked or crossed by the quote of another accessible options exchange, the System routes the order to the locking or crossing options exchange if the User has selected the Super Aggressive Re-Route instruction.

Proposed Rule 6.15(b) states the System does not rank or maintain in the Book pursuant to Rule 6.12 orders it has routed to other options exchanges, and therefore those orders are not available to execute against incoming orders. Once routed by the System, an order becomes subject to the rules and procedures of the destination options exchange including, but not limited to, order cancellation. If a routed order (or unexecuted portion) is subsequently returned to the Exchange, the order (or unexecuted portion), the order receives a new time stamp reflected the time the System receives the returned order. Proposed Rule 6.15(c) states Users whose orders are routed to other options exchanges must honor trades of those orders executed on other options exchanges to the same extent they would be required to honor trades of those orders if they had executed on the Exchange. These provisions are consistent with current C2 functionality, and the proposed rule change adds this detail to the C2 Rules. They are also substantively the same as EDGX Rule 21.9(b) and (c).

C2 will route orders in options via Cboe Trading, which will serve as the Outbound Router of the Exchange, as discussed above. The Outbound Router will route orders in options listed and open for trading on C2 to other options exchanges pursuant to C2 Rules solely on behalf of C2. The Outbound Router is subject to regulation as a facility of the Exchange, including the requirement to file proposed rule changes under Section 19 of the Exchange Act.

Use of Cboe Trading or Routing Services as described below to route orders to other market centers is optional. Parties that do not desire to use Cboe Trading or other Routing Services provided by the Exchange must designate orders as not available for routing.

In the event the Exchange is not able to provide Routing Services through its affiliated broker-dealer, the Exchange will route orders to other options exchanges in conjunction with one or more routing brokers that are not affiliated with the Exchange. C2 does not currently have an affiliated broker-dealer that provides routing services, and thus it currently routes orders to other options exchanges in conjunction with one or more routing brokers not affiliated with the Exchange, as provided in current Rule 6.36(a). In connection with Routing Services, the same conditions will apply to routing brokers that currently apply to C2 routing brokers pursuant to current Rule 6.36(a) (which are proposed to be moved to Rule 6.15(e)) and are the same as EDGX Rule 21.9(e).

Proposed Rule 6.15(f) states in addition to the Rules regarding routing to away options exchanges, Cboe Trading has, pursuant to Rule 15c3-5 under the Exchange Act, implemented certain tests designed to mitigate the financial and regulatory risks associated with providing Trading Permit Holders with access to away options exchanges. Pursuant to the policies and procedures developed by Cboe Trading to comply with Rule 15c3-5, if an order or series of orders are deemed to be erroneous or duplicative, would cause the entering Trading Permit Holder's credit exposure to exceed a preset credit threshold, or are noncompliant with applicable pre-trade regulatory requirements, Cboe Trading will reject the orders prior to routing and/or seek to cancel any orders that have been routed. This provision is the same as EDGX Rule 21.9(f), and currently applies to Cboe Trading.

The proposed rule, including the various routing options, is substantially the same as EDGX Rule 21.9. The various routing options will provide Users with additional flexibility to instruct the Exchange how to handle the routing of their orders. The Re-Route instructions will provide unexecuted orders resting on the Book with additional execution opportunities. The proposed routing process and options are identical to those available on EDGX.

Current C2 Rule 6.18 describes HAL, a feature that automates handling of orders not at the NBBO by auctioning them at the NBBO for potential price improvement on the Exchange prior to routing. Pursuant to this rule, the Exchange may determine whether to make HAL available on C2. The proposed rule change deletes this rule (and makes conforming changes throughout the rules, including deleting references to HAL and Rule 6.18), as this functionality will not be available on C2 following the technology migration.

The proposed rule change deletes current C2 Rule 6.19 regarding types of order formats, as these formats are available on the current C2 system but will not be applicable on C2's new system following the technology migration. Information regarding order formats are available in technical specifications on the Exchange's website.⁴³

Proposed C2 Rule 6.28 states the System sends to a User aggregated and individual transaction reports for the User's transactions, which reports include transaction details; the contra party's EFID, clearing Trading Permit Holder account number, and Capacity; and the name of any away exchange if an order was routed for execution. The Exchange reveals a User's identity (1) when a registered clearing agency ceases to act for a participant, or the User's Clearing Trading Permit Holder, and the registered clearing agency determines not to guarantee the settlement of the User's trades, or (2) for regulatory purposes or to comply with an order of

⁴³ See <http://markets.cboe.com/us/options/support/technical/>.

an arbitrator or court. C2 currently sends out transaction reports containing similar information, and the Exchange believes including this information in the Rules will provide more transparency to market participants about these reports. The proposed rule change is substantively the same as EDGX Rule 21.10 and is consistent with current Exchange and options industry practices, including the fact that clearing information available through OCC provides contra-party information, as well as the ability of a User to disclose its identify on orders.

Current C2 Rule 6.49 describes the C2 Trade Match System (“CTM”) functionality available on C2’s current System, which permits Trading Permit Holders to update transaction reports. The functionality available on C2’s System following the technology migration is called the Clearing Editor. The Clearing Editor, like CTM, allows Trading Permit Holders to update executed trades on their trading date and revise them for clearing. The Clearing Editor may be used to correct certain bona fide errors. Trading Permit Holders may change the following fields through the Clearing Editor: executing firm and contra firm; executing broker and contra broker; CMTA; account and subaccount (not just market-maker account and subaccount, as is the case currently on CTM); customer ID; position effect (open/close); or Capacity (because there will be no customer priority on C2, there is no need to restrict Capacity changes as set forth in current Rule 6.49). The proposed rule change deletes Rule 6.49(b), which are fields Trading Permit Holders may change only if they provide notice to the Exchange, as Clearing Editor does not permit Trading Permit Holders to change these fields. If a Trading Permit Holder must change the series, quantity, buy or sell, or premium price, it must contact the Exchange pursuant to proposed Rule 6.29 regarding obvious errors. Current Rule 6.49(c) and Interpretation and Policy .01 are moved to Rule 6.31(c) and Interpretation and Policy .01 with no substantive changes.

C2 Rule 6.32 describes when the Exchange may halt trading in a class and is substantially similar to EDGX Rules 20.3 and 20.4. Current Rule 6.32(a) lists various factors, among others, the Exchange may consider when determining whether to halt trading in a class, but adds the following two to be consistent with EDGX Rule 20.3:

- occurrence of an act of God or other event outside the Exchange's control; and
- occurrence of a System technical failure or failures including, but not limited to, the failure of a part of the central processing system, a number of Trading Permit Holder applications, or the electrical power supply to the System itself or any related system (the Exchange believes this broader factor regarding system functionality covers the current factor in paragraph (a)(4) regarding the status of a rotation, which is a system process).

As the current rule permits the Exchange to consider factors other than those currently listed, including the two factors proposed to be added (which the Exchange currently does consider when determining whether to halt a class), the proposed rule change is consistent current Rule 6.32(a). The proposed rule change moves the provision in Interpretation and Policy .02 to subparagraph (a)(1). The proposed rule change moves the provisions in current Interpretations and Policies .01 and .05 to proposed paragraph (c).

The proposed rule change adds proposed paragraph (b), which states if the Exchange determines to halt trading, all trading in the effected class(es) will be halted, and the System cancels all orders in the class(es) unless a User entered instructions to cancel all orders except GTC and GTD orders or not cancel orders during a halt. C2 disseminates through its trading facilities and over OPRA a symbol with respect to the class(es) indicating that trading in the class(es) has been halted. The Exchange makes available to vendors a record of the time and duration of the halt. Following the technology migration, C2 will have functionality availability

that permits Trading Permit Holders to enter a standing instruction regarding the handling of its orders during a halt. The remainder of proposed paragraph (b) is consistent with C2's current practice. The proposed paragraph (b) is also substantively the same as EDGX Rule 20.3(b).

C2's new technology platform is currently the platform for EDGX and other Cboe Affiliated Exchanges, and thus has an established disaster recovery plan. Therefore, the proposed rule change deletes the majority of C2's disaster recovery provisions, contained in current Rules 6.45 and 6.34(f) (regarding mandatory testing), and adopts proposed Rule 6.34, which is substantially similar to EDGX Rule 2.4. Proposed Rule 6.34 states the Exchange maintains business continuity and disaster recovery plans, including backup systems, it may activate to maintain fair and orderly markets in the event of a systems failure, disaster, or other unusual circumstance that may threaten the ability to conduct business on the Exchange, which is consistent with current Rule 6.45(a).

Proposed Rule 6.34(b) states Trading Permit Holders that contribute a meaningful percentage of the Exchange's overall volume must connect to the Exchange's backup systems and participate in functional and performance testing as announced by the Exchange, which will occur at least once every 12 months. The Exchange has established the following standards to identify Trading Permit Holders that account for a meaningful percentage of the Exchange's overall volume and, taken as a whole, constitute the minimum necessary for the maintenance of fair and orderly markets in the event of the activation of business continuity and disaster recovery plans:

- The Exchange will determine the percentage of volume it considers to be meaningful for purposes of this Rule.

- The Exchange will measure volume executed on the Exchange on a quarterly basis. The Exchange will also individually notify all Trading Permit Holders quarterly that are subject to this paragraph based on the prior calendar quarter's volume.
- If a Trading Permit Holder has not previously been subject to the requirements of this paragraph, such Trading Permit Holder will have until the next calendar quarter before such requirements are applicable.

Proposed Rule 6.34(c) states all Trading Permit Holders may connect to the Exchange's backup systems and participate in testing of such systems. Current Rule 6.45 similarly requires certain Trading Permit Holders designated by the Exchange to connect to back-up systems and participate in testing (current Rule 6.34(f) also requires participation in mandatory systems testing). The proposed rule change designates different but reasonable criteria for determining which Trading Permit Holders must participate in mandatory testing.

Proposed paragraphs (b) and (c) are consistent with Regulation SCI requirements, which apply to certain self-regulatory organizations (including the Exchange), alternative trading systems ("ATs"), plan processors, and exempt clearing agencies (collectively, "SCI entities"), and requires these SCI entities to comply with requirements with respect to the automated systems central to the performance of their regulated activities. The Exchange takes pride in the reliability and availability of its systems. C2 has, and the Cboe Affiliate Exchanges that operate on the technology platform to which C2 will migrate have, put extensive time and resources toward planning for system failures and already maintain robust business continuity and disaster recovery BC/DR plans consistent with the Rule.

Propose Rule 6.35 describes steps the Exchange may take to mitigate message traffic, based on C2's traffic with respect to target traffic levels and in accordance with C2's overall

objective of reducing both peak and overall traffic. First, the System does not send an outbound message⁴⁴ in a series that is about to be sent if a more current quote message for the same series is available for sending, but does not delay the sending of any messages (referred to in proposed Rule 6.35 as “replace on queue”). Second, the System will prioritize price update messages over size update messages in all series and in conjunction with the replace on queue functionality described above. Current C2 Rules contains various provisions the current system uses to mitigate message traffic, such as Rules 6.34(b) (permits the Exchange to limit the number of messages Trading Permit Holders may send) and (c) (newly received quotations and other changes to the BBO may not be disseminated for a period of up to, but no more than, one second), 6.35 (regarding bandwidth packets), and 8.11.⁴⁵ The proposed rule change essentially replaces these provisions. C2 does not have unlimited capacity to support unlimited messages, and the technology platform onto which it will migrates contains the above functionality, which are reasonable measures the Exchange may take to manage message traffic and protect the integrity of the System. The proposed change is substantively the same as EDGX Rule 21.14, except it does not include the provision regarding EDGX’s ability to periodically delist options with an average daily volume of less than 100 contracts. Additionally, current C2 Rule 6.34(c) (which is being deleted and replaced by the message traffic mitigation provisions in proposed Rule 6.35) permits the Exchange to utilize a mechanism so that newly received quotes and other changes to the BBO are not disseminated for a period of up to but no more than one second in

⁴⁴ This refers to outbound messages being sent to data feeds and OPRA.

⁴⁵ The proposed rule change deletes the remainder of current Rule 6.34(b), which states the Exchange may impose restrictions on the use of a computer connected through an API if necessary to ensure the proper performance of the System. The proposed rules do not contain a similar provision; however, to the extent C2 in the future wanted to impose any type of these restrictions, it would similarly submit a rule change for Commission approval.

order to control the number of quotes the Exchange disseminates. Cboe Options Rule 5.4, Interpretation and Policy .13 (which is incorporated by reference into C2's Rules) permits the Exchange to delist any class immediately if the class is open for trading on another national securities exchange, or to not open any additional series for trading if the class is solely open for trading on C2. This provision achieves the same purpose as EDGX Rule 21.14(a), and thus it is unnecessary to add the EDGX provision to C2 Rules.

The proposed rule change adds Interpretations and Policies .01 through .04 to Rule 6.50 regarding the order exposure requirement:

- Rule 6.50 prevents a Trading Permit Holder from executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the Trading Permit Holder was already bidding or offering on the Book. Rule 6.50 imposes an exposure requirement of one second before such orders may execute. However, the Exchange recognizes that it may be possible for a Trading Permit Holder to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It is a violation of the Rule for a Trading Permit Holder to be a party to any arrangement designed to circumvent this Rule by providing an opportunity for a customer to regularly execute against agency orders handled by the Trading Permit Holder immediately upon their entry into the System.
- It is a violation of Rule 6.50 for Trading Permit Holder to cause the execution of an order it represents as agent on C2 against orders it solicited from Trading Permit Holders and non-Trading Permit Holder broker-dealers, whether such solicited orders are entered into C2

directly by the Trading Permit Holder or by the solicited party (either directly or through another Trading Permit Holder), if the Trading Permit Holder fails to expose orders on C2 as required by the Rule.

- With respect to nondisplayed portions of reserve orders, the exposure requirement of Rule 6.50 is satisfied if the displayed portion of the order is displayed at its displayable price for one second.
- Prior to or after submitting an order to the System, a Trading Permit Holder cannot inform another Trading Permit Holder or any other third party of any of the terms of the order.

While these provisions are not currently stated in the C2 Rules, they are consistent with the C2's interpretation of current Rule 6.50. Current C2 Rule 6.50 is substantively the same as EDGX Rule 22.12, and the following proposed Interpretations and Policies .01 through .04 are substantively the same as EDGX Rule 22.12, Interpretations and Policies .01 through .04.

Current C2 Rule 6.51 describes the Automated Improvement Mechanism ("AIM"), an electronic auction mechanism that provides potential price improvement for eligible incoming orders, and current C2 Rule 6.52 describes the Solicitation Auction Mechanism ("SAM"), an electronic auction mechanism that provides potential price improvement for the all-or-none orders with size of 500 or more. Pursuant to those rules, the Exchange may determine whether to make this functionality available on C2. The proposed rule change deletes these rules (and makes conforming changes throughout the rules, including deleting references to AIM, SAM, and the rules), as this functionality will not be available on C2 following the technology migration.

Chapter 8

The proposed rule change adds paragraph (d) to Rule 8.1, which states a Trading Permit Holder or prospective Trading Permit Holder adversely affected by an Exchange determination under this Chapter 8, including the Exchange's termination or suspension of a Trading Permit Holder's status as a Market-Maker or a Market-Maker's appointment to a class, may obtain a review of such determination in accordance with the provisions of Chapter 19. Current Rule 8.2 contains a similar provision applicable to that Rule; however, the remaining rules in Chapter 8 contain various provision that permit the Exchange to make determinations, which would be subject to review under Chapter 19. Therefore, the Exchange believes it is appropriate to include a similar provision applicable to the entire Chapter 8.

The proposed rule change modifies rule provisions throughout Chapter 8 to clarify the distinction between Market-Maker registration and appointment. A Trading Permit Holder may register as a Market-Maker which is a function available on the Exchange. A Trading Permit Holder registered as a Market-Maker may select appointments to classes in which it agrees to satisfy obligations as a Market-Maker and obtain Market-Maker treatment for its trading activity in those classes.

The proposed rule change renames Rule 8.2 to be Market-Maker Class Appointments, as the rule generally describes how a Market-Maker may obtain appointments to classes, rather than continuing Market-Maker registration. To retain status as a registered Market-Maker, a Market-Maker must satisfy its obligations in its appointed classes (as discussed below) and otherwise stay in good standing, as described in Rule 8.4 (as discussed below). Currently, and following the System migration, Market-Makers may select their own class appointments through an Exchange system. Rule 8.2(b) states a Market-Maker may register in one or more classes in a

manner prescribed by the Exchange. The proposed rule change adds detail, which conforms to EDGX Rule 22.3(b), which states a Market-Maker may enter an appointment request via an Exchange-approved electronic interface with the Exchange's systems by 9:00 a.m., which appointment will become effective on the day the Market-Maker enters the appointment request. The Exchange notes Market-Makers on EDGX may select appointments to series, while Market-Makers on C2 will continue to be able to select appointments to a class, as they do today. This proposed process is similar to the one Market-Makers use on C2's current systems for selecting appointments. The proposed rule change deletes the language in current Rule 8.2(d) stating a Market-Maker may change its registered classes upon advance notification to the Exchange, as that is duplicative of proposed Rule 8.2(b), which requires Market-Makers to select appointments prior to a trading day for that appointment to become effective on that trading day.

The proposed rule change deletes the provision in current Rule 8.2(b) that permits the Exchange to register a Market-Maker in one or more classes of option contracts, as the Exchange does not, and does not intend, to impose appointments on Market-Makers. Similarly, the proposed rule change deletes current Rule 8.2(c), which states no option class registration may be made without the Market-Maker's consent to such registration, provided that refusal to accept a registration may be deemed sufficient cause for termination or suspension of a Market-Maker. As noted above, Market-Makers select their own appointments. Rules 8.1(b) and 8.4(b), among others, describe circumstances under which the Exchange may suspend or terminate a Trading Permit Holder's registration as a Market-Maker or a Market-Maker's appointment in a class. Additionally, the proposed rule change deletes the provision permitting it to arrange two or more classes of contracts into the groupings and make registrations to those groupings rather than to

individual classes, as the Exchange does not, and does not intend, to create groups of registrations. Market-Makers only select appointments by class.

Proposed Rule 8.2(c) states a Market-Maker's appointment in a class confers the right of the Market-Maker to quote (using order functionality) in that class. On C2's current system, there is separate quote functionality for quoting in appointed classes. Following the technology migration, the new System permits Market-Makers to quote in appointed classes using order functionality (which is the case today on EDGX). A similar provision is contained in current Rule 8.2(d).

The proposed rule change adds proposed Rule 8.2(d), which references the Exchange's ability to limit appointments pursuant to proposed Rule 8.1(c), as described above.

Current Rule 8.2(d) describes the appointment costs of Market-Maker class appointments. The proposed rule change merely moves the description of appointment costs to proposed Rule 8.3.

The proposed rule change deletes current Rule 8.4(a)(2), which states a Market-Maker must continue to satisfy the Market-Maker qualification requirements specified by the Exchange, because it is redundant of the language in subparagraph (a)(1), which states a Market-Maker must continue to meet the general requirements for Trading Permit Holders set forth in Chapter 3 and Market-Maker requirements set forth in Chapter 8. These are generally the only requirements applicable to qualify as a Market-Maker.

Rule 8.5 currently describes general obligations imposed on Market-Makers, while Rule 8.6 describes requirements applicable to Market-Maker quotes (the proposed rule change renames Rule 8.6 to apply to all quote requirements rather than the firm quote requirement, which is still included in proposed Rule 8.6(a)). The proposed rule moves the description of the

continuous quoting obligation to proposed Rule 8.6(d) from current Rule 8.5(a)(1), but there are no substantive changes to the continuous quoting obligation. The proposed rule change also adds that the Market-Maker continuous quoting obligations in proposed Rule 8.6(d) apply collectively to Market-Makers associated with the same Trading Permit Holder firm. This is consistent with the Exchange's current interpretation of this obligation, and the proposed rule change merely codifies it in the Rules to provide additional transparency. This structure conforms to EDGX Rules 22.5 and 22.6.⁴⁶ The proposed rule change also moves current Rule 8.5(d) to proposed Rule 8.6(e), which permits the Exchange to call on a Market-Maker to submit a single quote or maintain continuous quotes in one or more series of a Market-Maker's appointed class whenever, in the judgment of the Exchange, it is necessary to do so in the interest of maintaining a fair and orderly market. The revised language is substantially the same as EDGX Rule 22.6(d)(2). The proposed rule change also moves current Rule 8.5, Interpretation and Policy .01 to proposed Rule 8.6(d)(4), which provides a Market-Maker has no quoting obligations while the underlying security for an appointed class is in a limit up-limit down state. The revised language is substantially similar to EDGX Rule 22.6(d)(5).

⁴⁶ EDGX rules permit appointments by series, while C2 Rules will continue to permit appointments by class. Ultimately, an EDGX market-maker has the same flexibility to select its appointments, and is subject to the same quoting obligations, as C2 Market-Makers. The proposed rule change does not add the obligation in EDGX Rule 22.5(a)(7), which states a Market-Maker must honor all orders the trading system routes to away markets. The Exchange believes this obligation is unnecessary, as it is true for all orders. Additionally, the Exchange expects Market-Makers will often use Post Only orders to add liquidity to the Book as quotes (including through use of the bulk order port), and those orders, like current quotes today, do not route to other exchanges.

The proposed rule change adds the following quoting obligations to Rule 8.6, which are the same as obligations in EDGX Rule 22.6:

Obligation	Proposed C2 Rule	EDGX Rule
A Market-Maker's bid (offer) for a series must be accompanied by the number of contracts at the price of the bid (offer) the Market-Maker is willing to buy (sell), and the best bid and best offer entered by a Market-Maker must have a size of at least one contract.	8.6(b)	22.6(a)
A Market-Maker that enters a bid (offer) on the Exchange in a series in an appointed class must enter an offer (bid).	8.6(c)	22.6(b)
A Market-Maker is considered an OEF under the Rules in all classes in which the Market-Maker has no appointment. The total number of contracts a Market-Maker may execute in classes in which it has no appointment may not exceed 25% of the total number of all contracts the Market-Maker executes on the Exchange in any calendar quarter.	8.6(f)	22.6(c)

The proposed size requirement in proposed Rule 8.6(b) is consistent with the firm quote rule, and, as a bid and offer currently cannot have size of zero, the minimum size requirement is consistent with current C2 System functionality.

While there is no explicit requirement in current C2 rules that a Market-Maker must enter two-sided quotes in appointed series like the one in proposed Rule 8.6(c), the continuous quoting obligation requires a continuous two-sided market (see current Rule 8.5(a)(1)) and general obligations require a Market-Maker to, among other things, compete with other Market-Makers in its appointed classes, update quotes in response to changes market conditions, and maintain active markets in its appointed classes (see current Rule 8.5(a)(3) through (5)), which are

consistent with the requirement to enter two-sided quotes. Additionally, current C2 System functionality permits Market-Makers to submit two-sided quotes.

Current C2 Rules contain no specific requirement regarding the percentage of a Market-Makers executed volume that must be within their appointed classes. However, such a requirement is consistent with Market-Makers current obligations to maintain continuous two-sided quotes in their appointed classes for a significant part of the trading day, compete in their appointed classes, and update quotes and maintain active markets in their appointed classes.

The Exchange believes these additional explicit requirements in the rules will continue to offset the benefits a Market-Maker receives in its appointed classes, as the proposed Market-Maker requirements are consistent with current C2 Market-maker obligations and observed quoting behavior, and they are the substantively the same as those in the EDGX rules. The Exchange believes having consistent Market-Maker obligations in the C2 and EDGX rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for Trading Permit Holders that are Market-Makers on both C2 and EDGX.

The proposed rule change combines Rules 8.8 and 8.10 regarding financial requirements and arrangements of Market-Makers into a single Rule 8.8.

Current Rule 8.11 provides the Exchange may impose an upper limit on the aggregate number of Market-Makers that may quote in each product (the "CQL"). Current and proposed Rule 8.1(c) permits the Exchange to limit the number of Market-Makers in a class and monitor quote capacity, in a similar manner as EDGX may impose any such limits.⁴⁷ Therefore, the proposed rule change deletes Rule 8.11, since it is duplicative.

⁴⁷ See EDGX Rule 22.2(c).

Currently, there are no Primary Market-Makers (“PMM”) (see Rule 8.13) or Designated Primary Market-Makers (“DPM”) (see Rules 8.14 through 8.21), and C2 does not intend to appoint any PMMs or DPMs in the future. Therefore, the proposed rule change deletes Rules 8.13 through 8.21, as well as the definition of DPM in Rule 1.1. The proposed rule change makes corresponding changes throughout the rules to delete references to those rule numbers and to PMMs and DPMs.

Other Nonsubstantive Changes

The proposed rule change deletes the supplemental rule (a) to Chapter 4 regarding proxy voting. C2 Chapter 4 incorporates Cboe Options Chapter IV by reference. Recently, Cboe Options adopted Cboe Options Rule 4.25, which is substantively identical to the C2 Chapter 4 supplement rule (a). By virtue of the incorporation by reference of Cboe Options Chapter IV, including Rule 4.25, into C2 Chapter 4, Cboe Options Rule 4.25 applies to C2 Trading Permit Holders pursuant to C2 Chapter 4. Therefore, the supplement rule (a) is now duplicative of Cboe Options Rule 4.25 and is no longer necessary.

The proposed rule change deletes Rule 6.20, which is currently reserved and contains no rule text.

The following rules contain language that the C2 board of directors may make certain trading decisions:

- Rule 6.1, Interpretations and Policies .01 and .02 (proposed to be Rule 6.1(b)), which states the board determines trading hours and Exchange holidays.
- Rule 6.4 states the board will establish minimum quoting increments for options traded on the Exchange.

- Rule 6.33, which permits the board to designate persons other than the CEO or President to halt or suspend trading and take other action if necessary or appropriate for the maintenance of a fair and orderly market or the protection of investors, due to emergency conditions.
- Rule 8.1(c), which permits the board or its designee to limit access to the System, for a period to be determined in the board's discretion, pending any action required to address the issue of concern to the board, and to the extent the board places permanent limitations on access to the System on any Trading Permit Holder, such limits will be objectively determined and submitted to the Commission for approval pursuant to a rule change filing.

These decisions relate to Exchange trading and operations, and thus are made by Exchange management, rather than the Board, which generally is not involved in determinations related to day-to-day operations of the Exchange. Therefore, the proposed rule change modifies these provisions to indicate the Exchange will make these determinations rather than the Board. The Exchange notes pursuant to corresponding EDGX rules, EDGX makes those determinations rather than EDGX's board.

The proposed rule change deletes current Rule 6.38, which requires Trading Permit Holders to file with the Exchange trade information covering each Exchange transaction during a business day. Because all transactions on the Exchange are electronic, as soon as a transaction executes on the Exchange, the Exchange has all of the information indicated in Rule 6.38 and thus does not require Trading Permit Holders to submit a separate report with this information, as that is duplicative. The Exchange notes EDGX does not contain a similar rule.

The proposed rule change deletes Rule 6.41, which states a Trading Permit Holder may not bid, offer, purchase, or write on the Exchange any security other than an option contract currently open for trading in accordance with the provisions of Chapter 5. This rule is unnecessary, as the System would not permit the entry or execution of orders or quotes in securities not open for trading.

The proposed rule change deletes Rule 6.46 regarding Trading Permit Holder Education, because it is duplicative of Rule 3.13.

Attached as Exhibits 3A, 3B, and 3C are the following updated forms:

- C2 Trading Permit Holder Notification of Designated Give-Ups;
- C2 Give Up Change Form; and
- C2 Give Up Change Form for Accepting Clearing Trading Permit Holders.

These forms relate to the manner in which a Trading Permit Holder may designate Clearing Trading Permit Holder to be a Designated Give Up pursuant to Rule 6.30. The proposed rule change eliminates the term acronym from the forms (as noted above, that term will no longer be used from a system perspective following the technology migration) and makes other nonsubstantive clarifications (such as adding defined terms).

The proposed rule change makes various nonsubstantive changes throughout the rules, in addition to nonsubstantive changes described above, to simplify or clarify rules, delete duplicative rule provisions, conform paragraph numbering and lettering throughout the rules, update Exchange department names, revise chapter and rule names, use plain English (e.g., change “shall” to “must,” change passive voice to active voice), and conform language to corresponding EDGX rules. In these cases, the Exchange intends no substantive changes to the meaning or application of the rules.

Chapter 24 incorporates rules in Cboe Options Chapter XXIV by reference, but states certain rules do not apply to C2. One rule that is excluded is Rule 24.17 (RAES Eligibility in Broad-Based Index Options and Options on Exchange Traded funds on Broad Based Indexes). This rule has been deleted from Cboe Options Chapter XXIV, and thus the proposed rule change deletes the reference to that rule in Chapter 24.

Additionally, the proposed rule change moves certain rules within the C2 rulebook as follows:

Rule	Current C2 Rule	Proposed C2 Rule	Corresponding EDGX Rule
Affiliates, order routing/error accounts/order cancellation and release	3.2(f), 6.36, 6.37, and 6.47	3.16, 3.17 and 6.15	2.10, 2.11, and 21.9
Nullification and adjustment of options transactions including obvious errors	6.15	6.29	20.6
Price binding despite erroneous report	6.16	6.26(b)	21.11
Reporting of matched trades to OCC	6.31	6.27	21.13
Contract made on acceptance of bid or offer	6.40	6.26(a)	21.11
Trading on knowledge of imminent undisclosed solicited transaction	6.55	6.51	N/A

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁴⁸ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁴⁹ requirements

⁴⁸ 15 U.S.C. 78f(b).

⁴⁹ 15 U.S.C. 78f(b)(5).

that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁵⁰ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule changes are generally intended to add or align certain system functionality currently offered by EDGX and other Cboe Affiliated Exchanges in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The proposed rule changes would also provide Users with access to functionality that is generally available on markets other than the Cboe Affiliated Exchanges and may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on Cboe Affiliated Exchanges. The Exchange notes that the proposed rule text is generally based on EDGX Rules and is different only to the extent necessary to conform to the Exchange's current rules, retain intended differences based on the

⁵⁰

Id.

Exchange's market model, or make other nonsubstantive changes to simplify, clarify, eliminate duplicative language, or make the rule provisions plain English.

To the extent a proposed rule change is based on an existing Cboe Affiliated Exchange rule, the language of Exchange Rules and Cboe Affiliated Exchange rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions included in the Exchange's Rules but not in the applicable EDGX rule. Where possible, the Exchange has substantively mirrored Cboe Affiliated Exchange rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for Trading Permit Holders that are also participants on EDGX. The proposed rule change would provide greater harmonization between the rules of the Cboe Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand. Where necessary, the Exchange has proposed language consistent with the Exchange's operations on EDGX technology, even if there are specific details not contained in the current structure of EDGX rules. The Exchange believes it is consistent with the Act to maintain its current structure and such detail, rather than removing such details simply to conform to the structure or format of EDGX rules, again because the Exchange believes this will increase the understanding of the Exchange's operations for all Trading Permit Holders of the Exchange.

The proposed order instructions and TIFs not currently available on C2 add functionality currently offered by EDGX in order to provide consistent order handling options across the Cboe Affiliated Exchanges. The proposed rule changes would also provide Users with access to optional functionality that may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. As explained above, the proposed functionality is substantially similar to functionality on EDGX, and is optional for Users. The proposed rule change would provide greater harmonization between the order handling instructions available amongst the Cboe Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. With respect to the proposed MTP modifier functionality, the Exchange believes the various proposed modifier options would allow firms to better manage order flow and prevent undesirable executions against themselves, and the proposed change described herein enhances the choices available to such firms in how they do so. The proposed rule change also is designed to support the principles of Section 11A(a)(1) of the Act⁵¹ in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The proposed rule change would also provide Users with access to functionality that may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users.

The proposed rule change to define ports will reduce complexity and increase understanding of the Exchange's operations for all Users of the Exchange following migration. As the ports are the same as used on certain Cboe Affiliated Exchanges, Users of the Exchange and these other exchanges will have access to similar functionality on all Cboe Affiliated

⁵¹ 15 U.S.C. 78k-1(a)(1).

exchanges. As such, the proposed rule change will foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange further believes that the proposed definition of bulk order entry ports to provide that only Post Only Orders with a time in force of DAY or GTD may be entered, modified, or cancelled through such ports will protect investors and the public interest and maintain fair and orderly markets by offering specific functionality through which Users can submit orders that will result in quotations on the Exchange. In particular, the options markets are quote driven markets dependent on liquidity providers to an even greater extent than equities markets. In contrast to the approximately 7,000 different securities traded in the U.S. equities markets each day, there are more than 500,000 unique, regularly quoted option series. Given this breadth in options series the options markets are more dependent on liquidity providers than equities markets; such liquidity is provided most commonly by registered market makers but also by other professional traders. As such, the Exchange believes maintaining specific functionality to maintain quotations on the Exchange through bulk order entry ports will protect investors and the public interest and the maintenance of fair and orderly markets by ensuring that an efficient process to enter and update quotations is available to Exchange Users. The Exchange also believes this is reasonable, as it will establish a marketplace that operates more similar to C2's current market, which is a quote-based market.

The Exchange believes the proposed rule change to modify the minimum increment for XSP options with those for SPY options perfects the mechanism for a free and open market and a national market system because both products are based, in some manner, on $1/10^{\text{th}}$ the price of the S&P 500 Index, and therefore it makes sense to have the same minimum increments of bids

and offers for both. This proposed rule change is also substantively the same as a Cboe Options rule, as discussed above.

The proposed Opening Process is designed to promote just and equitable principles of trade and remove impediments to, and perfect the mechanism of, a free and open market system because it would align with the EDGX Opening Process as it relates to: which orders may participate in the process, how the price of the opening transaction is determined; and the process for late openings and re-openings. Conforming the C2 Opening Process to the EDGX opening process will contribute to the protection of investors and the public interest by avoiding investor confusion and providing consistent functionality across Cboe Affiliated Exchanges.

Following the technology migration, orders and quotes will generally be allocated in the same manner as they are today on C2 – either pursuant to pro-rata or price-time priority. Deleting other priority overlays that are not used and will not be used on C2 protects investors by eliminating potential confusion regarding which rules apply to trading on C2. The proposed change regarding how the System rounds the number of contracts when they cannot be allocated proportionally in whole numbers pursuant to the pro-rata algorithm (which previously only addressed the situation if there one additional contract for two market participants) and proposed aggregated pro-rata algorithm (which previously was silent on this matter) adds detail to the rules regarding the allocation process and provides a fair, objective manner for rounding and distribution in all situations in which the number of contracts may not be allocated proportionally in whole numbers. Rounding and distributing contracts in the proposed manner is also substantively the same as an EDGX rule, as discussed above.

The Exchange believes that the general provisions regarding the trading of complex orders provide a clear framework for trading of complex orders in a manner consistent with

EDGX. This consistency should promote a fair and orderly national options market system. The proposed execution and priority rules will allow complex orders to interact with interest in the Simple Book and, conversely, interest on the Simple Book to interact with complex orders in an efficient and orderly manner. Consistent with C2's current rules and the rules of other exchanges, proposed Rule 6.13(f)(2) will not execute a complex order at a net price ahead of orders on the Simple Book without improving the BBO on at least one component of the complex strategy by at least \$0.01. Additionally, before executing against another complex order, a complex order on the Exchange will execute first against orders on the Simple Book if that would result in the best price prior to executing against complex orders on the COB. The complex order priority pursuant to which complex orders will trade against the leg markets prior to execution against complex orders is consistent with the complex order priority currently available on C2 and ensures protection of the leg markets.

The Exchange proposes that complex orders may be submitted as limit orders and market orders, and orders with a Time in Force of GTD, IOC, DAY, GTC, or OPG, or as a Complex Only order, COA-eligible or do-not-COA order. In particular, the Exchange believes that limit orders, GTD, IOC, DAY, GTC, and OPG orders all provide valuable limitations on execution price and time that help to protect Exchange participants and investors in both the Simple Book and the COB. In addition, the Exchange believes that offering participants the ability to utilize MTP Modifiers for complex orders in a similar way to the way they are used on the Simple Book provides such participants with the ability to protect themselves from inadvertently matching against their own interest. As discussed above, because complex orders do not route and may not be Post Only, all complex orders are Book Only, which is consistent with current C2 complex order functionality. The proposed rule change also clarifies that Attributable/Non-

Attributable instructions are available for complex orders; however, these instructions merely apply to information that is displayed for the orders but do not impact how they execute.

The Exchange believes that permitting complex orders to be entered with these varying order types and modifiers will give the Exchange participants greater control and flexibility over the manner and circumstances in which their orders may be executed, modified, or cancelled, and thus will provide for the protection of investors and contribute to market efficiency.

In particular, the Exchange notes that while both the Complex Only Order and the do-not-COA instruction may reduce execution opportunities for the entering Market-Maker or User, respectively, similar features are already offered by EDGX (and C2 with respect to do-not-COA) in connection with complex order functionality and that they are reasonable limitations a Market-Maker or User, respectively, may wish to include on their order in order to participate on the COB.

Evaluation of the executability of complex orders is central to the removal of impediments to, and the perfection of, the mechanisms of a free and open market and a national market system and, in general, the protection of investors and the public interest. The proposed evaluation process pursuant to proposed Rule 6.13(i) ensures that the System will capture and act upon complex orders that are due for execution. The regular and event-driven evaluation process removes potential impediments to the mechanisms of the free and open market and the national market system by ensuring that complex orders are given the best possible chance at execution at the best price, evaluating the availability of complex orders to be handled in a number of ways as described in this proposal. Any potential impediments to the order handling and execution process respecting complex orders are substantially removed due to their continual and event-driven evaluation for subsequent action to be taken by the System. This protects investors and

the public interest by ensuring that complex orders in the System are continually monitored and evaluated for potential action(s) to be taken on behalf of investors that submit their complex orders to the Exchange.

If a complex order is not priced equal to, or better than, the SBBO or is not priced to improve other complex orders resting at the top of the COB, the Exchange does not believe that it is reasonable to anticipate that it would generate a meaningful number of COA Responses such that there would be price improvement of the complex order's limit price. Promoting the orderly initiation of COAs is essential to maintaining a fair and orderly market for complex orders; otherwise, the initiation of COAs that are unlikely to result in price improvement could affect the orderliness of the marketplace in general.

The Exchange believes that this removes impediments to and perfects the mechanisms of a free and open market and a national market system by promoting the orderly initiation of COAs, and by limiting the likelihood of unnecessary COAs that are not expected to result in price improvement.

The Exchange believes the proposed maximum 500 millisecond Response Time Interval promotes just and equitable principles of trade and removes impediments to a free and open market because it allows sufficient time for Trading Permit Holders participating in a COA to submit COA Responses and would encourage competition among participants, thereby enhancing the potential for price improvement for complex orders in the COA to the benefit of investors and public interest. The Exchange believes the proposed rule change is not unfairly discriminatory because it establishes a Response Time Interval applicable to all Exchange participants participating in a COA, which is the same maximum Response Time Interval on EDGX.

The Exchange again notes that it has not proposed to limit the frequency of COAs for a complex strategy and could have multiple COAs occurring concurrently with respect to a particular complex strategy. The Exchange represents that it has systems capacity to process multiple overlapping COAs consistent with the proposal, including systems necessary to conduct surveillance of activity occurring in such auctions. Further, EDGX may currently have multiple complex auctions in the same strategy run concurrently. EDGX Rule 21.20, Interpretation and Policy .02 similarly permits multiple complex auctions in the same strategy to run concurrently. The Exchange does not anticipate overlapping auctions necessarily to be a common occurrence, however, after considerable review, believes that such behavior is more fair and reasonable with respect to Trading Permit Holders who submit orders to the COB because the alternative presents other issues to such Trading Permit Holders. Specifically, if the Exchange does not permit overlapping COAs, then a Trading Permit Holder who wishes to submit a COA-eligible order but has its order rejected because another COA is already underway in the complex strategy must either wait for such COA to conclude and re-submit the order to the Exchange (possibly constantly resubmitting the complex order to ensure it is received by the Exchange before another COA commences) or must send the order to another options exchange that accepts complex orders.

The Legging restrictions protects investors and the public interest by ensuring that Market-Makers and other liquidity providers do not trade above their established risk tolerance levels, as described above. Despite the enhanced execution opportunities provided by Legging, the Exchange believes it is reasonable and consistent with the Act to permit Market-Makers to submit orders designated as Complex Only Orders that will not leg into the Simple Book. This is

analogous to functionality on EDGX,⁵² as well as other types of functionality offered by the Exchange that provides Trading Permit Holders the ability to direct the Exchange not to route their orders or remove liquidity from the Exchange. Similar to such analogous features, the Exchange believes that Market-Makers may utilize Complex Only Order functionality as part of their strategy to maintain additional control over their executions, in connection with their attempt to provide and not remove liquidity, or in connection with applicable fees for executions.

Based on the foregoing, the Exchange does not believe that the proposed complex order functionality raises any new or novel concepts under the Act, and instead is consistent with the goals of the Act to remove impediments to and to perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

The proposed rule change regarding price adjust is consistent with linkage rules that require exchanges to reasonably avoid displaying quotations that lock or cross any Protected Quotation, as well as EDGX Rule 21.1(i). The proposed functionality will assist Users by displaying orders and quotes at permissible prices.

The Exchange believes the additional and enhanced price protection mechanisms and risk controls will protect investors and the public interest and maintain fair and orderly markets by mitigating potential risks associated with market participants entering orders and quotes at unintended prices, and risks associated with orders and quotes trading at prices that are extreme and potentially erroneous, which may likely have resulted from human or operational error. While the Exchange currently offers many similar protections and controls, as described above, the Exchange believes Users will benefit from the additional functionality that will be available following the technology migration. The Exchange notes the proposed rule change does not

⁵² See EDGX Rule 21.20(b)(1).

establish outer boundaries or limits to the levels at which mechanisms can be set. The Exchange believes this is reasonable and necessary to afford the Exchange and Users flexibility to establish and modify the default parameters in order to protect investors and the public interest, and maintain a fair and orderly market. The Exchange notes any Exchange-determined parameters will always be available on C2's website via specification or Notice. The Exchange notes the proposed rule changes related to price protection mechanisms and risk controls are substantially the same as EDGX rules and specifications, as discussed above. The proposed rule change is also similar to current C2 and Cboe Options Rules.

The Exchange believes the proposed additional explicit Market-Maker requirements in the rules will continue to offset the benefits a Market-Maker receives in its appointed classes, as the proposed Market-Maker requirements are consistent with current C2 Market-maker obligations and observed quoting behavior, and they are the substantively the same as Market-Maker requirements in the EDGX rules.

The Exchange believes the proposed rule change regarding information to be provided to Users in transaction reports is consistent with current practice and provides market participants with additional transparency regarding these reports. It is also consistent with other Exchange and options industry practices, including the fact that clearing information available through OCC already provides contra-party information as well as the ability of a User on the Exchange to disclose its identity when quoting. The Exchange believes this is consistent with the Act, as it is designed to foster cooperation and coordination with persons engaged in clearing, settling, processing information with respect to, and facilitating transactions in securities.

The proposed rule change makes various nonsubstantive changes throughout the rules, in addition to nonsubstantive changes described above, will protect investors and benefit market

participants, as these changes simplify or clarify rules, delete duplicative rule provisions, conform paragraph numbering and lettering throughout the rules, update Exchange department names, use plain English, and conform language to corresponding EDGX rules.

As described above, the fundamental premise of the proposal is that the Exchange will operate its options market in a similar manner to its affiliated options exchange, EDGX (which as discussed above in the purpose section, is similar in many ways to how C2 currently operates), with the exception of the priority model and certain other limited differences. The basis for the majority of the proposed rule changes in this filing are the approved rules of EDGX, which have already been found to be consistent with the Act. For instance, the Exchange does not believe that any of the proposed order types or order type functionality or allocation and priority provisions raise any new or novel issues that have not previously been considered.

Thus, the Exchange further believes that the functionality that it proposes to offer is consistent with Section 6(b)(5) of the Act, because the System upon the technology migration is designed to continue to be efficient and its operation transparent, thereby facilitating transactions in securities, removing impediments to and perfecting the mechanism of a free and open market and a national market system.

Proposed Rule 3.16 (related to Exchange affiliations with Trading Permit Holders) and 3.17 (related to Cboe Trading providing Outbound Router services) are substantially similar to EDGX Rule 2.10 and 2.11. Additionally, proposed Rule 3.16 incorporates the provisions in current C2 Rule 3.2(f) related to restrictions on Exchange affiliations with Trading Permit Holders. As noted above, the provisions related to Exchange affiliations with Trading Permit Holders (including exceptions to any restrictions in the Rules) are consistent with the governing documents of C2. Additionally, the Commission recently approved the Exchange affiliation with

Cboe Trading related to its performing inbound routing services for C2. The Exchange believes proposed Rule 3.17 promotes the maintenance of a fair and orderly market, the protection of investors and the public interest, and is in the best interests of the Exchange and its Trading Permit Holders as it will allow the routing of orders to Trading Centers (including affiliated exchanges BZX Options and EDGX Options) from the Exchange in the same manner as certain Cboe-affiliated exchanges currently route orders. Moreover, in meeting the requirements of Rule 3.17 (i.e., regulation as a facility, FINRA acting as the designated examining authority, optional use of Cboe Trading as an outbound router, restrictions on business of Cboe Trading, procedures and internal controls, cancellation of orders, maintenance of error account), the Exchange believes it will have mechanisms in place that protect the independence of the Exchange's regulatory responsibility with respect to Cboe Trading, as well as demonstrates that Cboe Trading cannot use any information that it may have because of its affiliation with the Exchange to its advantage. This will help prevent an unfair burden on competition and unfair discrimination between customers, issuers, brokers, or dealers.

B. Self-Regulatory Organization's Statement on Burden on Competition

C2 does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the Cboe Affiliated Exchanges. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it will provide a consistent technology offering for Users by the Cboe Affiliated Exchanges. Following the technology migration, the C2 System, as described in this proposed rule change, will apply to all Users and order and quotes submitted by Users in the same manner. As discussed above, the

basis for the majority of the proposed rule changes in this filing are the approved rules of EDGX, while a few other changes are based on approved rules of Cboe Options and BZX, which have already been found to be consistent with the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act⁵³ and Rule 19b-4(f)(6)⁵⁴ thereunder. Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁵⁵ and Rule 19b-4(f)(6)⁵⁶ thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)⁵⁷ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),⁵⁸ the Commission may designate a shorter time if such action is consistent with protection of investors and the public interest. The Exchange has asked the Commission to

⁵³ 15 U.S.C. 78(b)(3)(A).

⁵⁴ 17 CFR 240.19b-4(f)(6).

⁵⁵ 15 U.S.C. 78s(b)(3)(A).

⁵⁶ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

⁵⁷ 17 CFR 240.19b-4(f)(6).

⁵⁸ 17 CFR 240.19b-4(f)(6).

waive the 30-day operative delay so that the proposed rule change may become operative prior to the proposed C2 technology migration on May 14, 2018. In support of its waiver request, the Exchange states that many of the proposed rule changes are based on rules of EDGX Options and BZX Options and the proposed rule changes will align much of C2's System with that of those other Cboe Affiliated Changes, which will simplify the User experience for those firms that are members of one or more of the other Cboe Affiliated Exchanges, and also will promote stability across the affiliated trading platforms. The Commission notes that, because migrating C2's trading platform technology over to EDGX Options technology is a material event, the Exchange has publicized its plans well in advance by issuing periodic updates to Trading Permit Holders regarding the technology migration changes and the anticipated timeline in order to enable Trading Permit Holders to make and test system changes at the firm and User level to accommodate the transition and ensure uninterrupted access to the Exchange after the migration. In addition, as described in detail above, the Exchange's proposal does not raise any new or novel issues, as the nature of the changes are connected to the migration of C2 to the existing technology and functionality of the EDGX Options platform. Therefore, the Commission believes that waving the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative on May 11, 2018.⁵⁹

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or

⁵⁹ For purposes only of waving the 30-day operative delay, the Commission has considered the purposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-C2-2018-005 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-C2-2018-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F

Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-C2-2018-005 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶⁰

Eduardo A. Aleman
Assistant Secretary

⁶⁰ 17 CFR 200.30-3(a)(12).

